

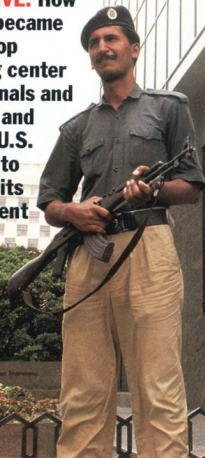


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# TIME

## The World's Sleaziest Bank

**EXCLUSIVE:** How B.C.C.I. became a one-stop shopping center for criminals and spies — and how the U.S. is trying to cover up its involvement





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# TIME

THE WEEKLY NEWSMAGAZINE

## COVER STORY

### 42 BUSINESS:

#### Inside a Rogue Empire

The collapsed B.C.C.I. contained a "black network" that carried out missions ranging from arms sales to bribery to kidnapping

## 14 NATION:

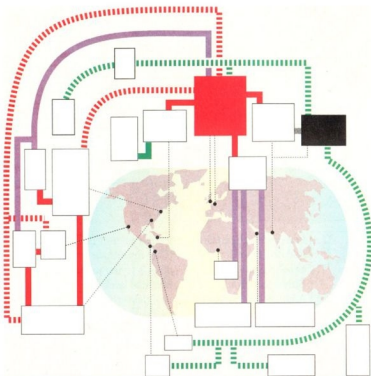
### Browns vs. Blacks

The two biggest minority groups clash over politics and jobs

## 26 WORLD:

### What Gorbachev Got

The London summit offers sacks of advice but no money



42 / A GLOBAL WEB THAT WAS DESIGNED TO MYSTIFY

**INTERVIEW** Robert Dallek defends a much maligned President..... 6

**MEDICINE** Should you worry about your dentist having AIDS? .....50

The FDA just says no to a touted Alzheimer's drug .....52

**EDUCATION** Some of the best education happens below adult eye level.....54

**TECHNOLOGY** How to become a home-movie mogul.....56

**TELEVISION** From Britain, a caustic look at Hollywood .....57

**PRESS** When reporters recycle the news.....59

**IDEAS** Was Carol Iannone the latest victim of "P.C."?.....59

**RELIGION** Marianne Williamson is Hollywood's New Age attraction .....60

**LIVING** For summer fun, people are getting stuck on Velcro balls .....61

Sports sandals are the hip soles for hip souls .....61

**PROFILE** At 30, Princess Di is a model of grace and grit .....64

**DESIGN** Mickey Mouse's firm becomes the big cheese in architecture .....66

**ESSAY** What if we hold a primary and nobody comes?.....70

## DEPARTMENTS

**LETTERS** ..... 8 **MILESTONES** ..... 52

**GRAPEVINE** ..... 13 **VIEW POINTS** ..... 63

**COVER** Photograph for TIME by Anis Hamdani—Gamma Liaison

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26 / A WORD OF ADVICE



66 / THE HEIGH-HO BUILDERS

GORDON KRAUS/STAFF

GARY A. HUNT/STAFF



SPECIAL ADVERTISING FEATURE

*A Nation of Neighbors*

# BROOKLYN VOLUNTEERS

## SAVE NEIGHBORS' LIVES

**W**hen James Robinson and Joe Perez formed Brooklyn's Bedford-Stuyvesant Volunteer Ambulance Corps in 1988, it was the first of its kind in a New York City minority neighborhood.

Robinson and Perez—both experienced Emergency Medical Services (EMS) professionals—had three goals: save lives, help people get jobs and assist other communities in starting similar programs. Today they're doing all three.

### Off and Running

"At first, we didn't even have an ambulance," says Robinson. "Our headquarters were in an abandoned building with no electricity. Volunteers monitored police calls and responded on foot to emergencies."

On February 24, 1989, the Bed-Stuy Volunteer Ambulance Corps acquired its first ambulance, a gift from the Williamsburg Volunteer Corps in another part of Brooklyn. The next day, the ambulance was used to save ten people trapped in a burning building.

"People in emergency services are constantly on an emotional

roller coaster," Perez explains. "One minute we're out on the streets trying to save a life and minutes later we can be up on a roof delivering a baby."

The Corps now owns three ambulances and answers more than 300 calls a month for emergencies ranging from heart attacks to gunshot wounds. Most volunteers are on public assistance. Some are senior citizens. Many attend or teach classes given by the Corps.

### To the Rescue

Vivian Lomacang works in the Corps office during the day and rides the ambulances as a volunteer from 4 p.m. to midnight. One morning, after a late-night shift, she helped save a man's life by applying pressure to a knife wound and flagging down an EMS vehicle that rushed him to the hospital. Lomacang says, "When I help someone like that, I realize how much we're needed here."

After on-the-job

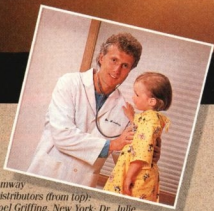
training with the Corps, Sharima Johnson passed the state certification test for emergency medical technician (EMT). Today, she has a full-time job with a private ambulance company, but still comes back to do volunteer service in Bed-Stuy. "During my training I fell in love with the idea of taking care of people right here in my neighborhood."

Perez understands this kind of dedication and more. "Saving lives is an important part of what we're doing. But we're also helping our own volunteers get jobs... get off the welfare rolls... and find some deeply needed self-esteem."



From left: Theodore Goodman, Raymond Johnson and Sharima Johnson respond to an emergency.

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## FROM THE MANAGING EDITOR

"Beaty?"

"Yeah?"

"It's overseas—Pakistan. They say it's very important."

In the hours that led to last Friday's closing of our cover story, correspondents Jonathan Beaty and Sam Gwynne were holed up in an office, still tracing the weird contours of one of the world's most baroque financial schemes—a Washington-to-Abu Dhabi intrigue that matches John le Carré's imagination for espionage, Frederick Forsyth's for terrorism and Oliver Stone's for greed. In this week's story, Jonathan and Sam have uncovered how the Bank of Credit & Commerce International used a "black network" of terrorists and self-appointed spies to serve as a one-stop shopping center for criminals, corrupt leaders and official intelligence agencies around the world. "The story at the outset was a conspiratorialist's dream," says Gwynne. "Almost all the wild things that were said back in February turned out to be true."

Because the black network stops at nothing, not even murder, to further the bank's aims, a large part of the team's work was per-

suading their sources to talk and finding ruses to communicate with safety. "Everybody we talked to was afraid of being killed," says Gwynne. In hotels from Washington to Abu Dhabi, Beaty often had to leave his room in the early morning to return calls from telephone booths. He persuaded several sources to meet him on neutral ground in Casablanca, and learned more details there while dining on fish and rice in a Bedouin's tent. Beaty came right up against the sinister underside of the story when a man from the black network invited himself into Beaty's hotel room in Abu Dhabi and threatened to kill him.

Another challenge was "having to socialize with oil-rich Arabs in a style to which they had become accustomed," says Beaty. So there were late-night visits to nightclubs in Casablanca and purchases of exotic foods from Los Angeles to London. Once, a defector from the black network who was being interviewed in New

York where he was in hiding turned to Beaty for a little spending money. "I gave him the last \$100 out of my pocket," he says, "and he tipped the waitress \$50."



Cracking B.C.C.I.: Jonathan Beaty and Sam Gwynne

**"Almost all the wild things  
that were said back in February turned  
out to be true."**

PHOTO BY MICHAEL GOODMAN

*H. Miller*






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## INTERVIEW

# A Rogue, Yes, but With Great Vision

Historian **ROBERT DALLEK**, author of a new biography, argues that Lyndon Johnson deserves far more credit than he is usually given

By **JAMES WILLWERTH**

**Q.** Your book, *Lone Star Rising: Lyndon Johnson and His Times, 1908-1960*, follows a bitter controversy over biographer Robert Caro's dramatically negative view of Johnson. How do you differ with Caro's view of Lyndon Johnson as an amoral opportunist?

**A.** Mr. Caro sees Johnson as an utterly unprincipled man. The view is unrelenting. He believes Johnson wasn't a committed New Dealer but an opportunist who supported Roosevelt to get elected. Johnson is a monster. I don't agree. I see what the French call a *monstre sacré* [holy monster]. Johnson was a scoundrel. He broke laws at every level of politics and once even had sex with a White House secretary on her desk. But he was also a brilliant politician and a visionary who married his ambition to his country's interests.

**Q.** But Caro describes "two threads, bright and dark, [that] run side by side" through Johnson's life. Isn't he calling him a sacred monster too?

**A.** If you read both [of Caro's] volumes, you'll find it very difficult to locate the bright thread.

**Q.** What bright threads do you find?

**A.** Primarily, Johnson's extraordinary vision. Early on, he understood that his native South must join the mainstream of American life. Racial segregation, he realized, also segregated the South [from the rest of the U.S.]. Johnson's role in the South's development was historically important.

**Q.** If he was such a visionary, why as a Congressman did he support poll taxes and vote against antilynching laws?

**A.** Otherwise he couldn't have stayed in office. But a different Johnson worked behind the scenes. As head of the National Youth Administration in Texas in the 1930s, he stayed overnight at black colleges to see NYA programs at work. If that had been known, he couldn't have been elected to Congress. Once there, he raised what one Washington bureaucrat called "unshirted hell" because black farmers in his district weren't getting federal loans equal to those offered white farmers. When he brought public housing to Austin, he insisted that the units be opened to blacks and Latinos.

**Q.** And what else did you discover?

**A.** During 1938 and 1939, Johnson secretly

helped Jewish refugees from Europe enter the U.S., through Galveston. I don't know of any other Congressman who did that. Out of 400,000 constituents, his district had only 400 Jewish voters. Something deep in this man's psyche, probably harking back to his Texas hill-country boyhood, made him identify with the underdog.

**Q.** If this is a "balanced" portrait, surely not all of what you found was positive.

**A.** During the 1937 congressional election campaign, Johnson's group probably paid \$5,000 to Elliott Roosevelt, one of Franklin Roosevelt's sons, for a telegram in which Elliott suggested that the Roosevelt family favored Lyndon Johnson. I found this in an oral history from one of Johnson's opponents, Polk Shelton, who was offered the same, but declined.

**Q.** Anything else?

**A.** Johnson insisted that he built up his Texas radio and television empire without back-room help from the Federal Communications Commission. That's a blatant lie. When New Deal loyalists Lyndon and Lady Bird Johnson wanted to buy their first Austin station, KTBC, the FCC had been blocking a conservative Austin publisher from purchasing it. The Johnsons were quickly approved. In later years, FBI wiretaps show Johnson talking to political fixer Tommy Corcoran about seeing this or that FCC commissioner on his behalf. Other Texas cities of similar size eventually had two or three television stations. For decades, the Johnsons' single Austin station never had a competitor.

**Q.** You and Robert Caro disagree dramatically in your accounts of Johnson's 1948 Senate race against former Texas Governor Coke Stevenson, a crucial moment in Johnson's political career. Why?

**A.** Mr. Caro sees Stevenson as a man of absolute integrity, which makes Johnson's vote stealing even more unsavory. My research shows that Stevenson had a long history of manipulating votes. He and others helped Texas Governor "Pappy" O'Daniel change more than 6,000 votes in East Texas to frustrate Johnson's first try for the Senate in 1941. Stevenson was a reactionary and a racist, hardly a saint.

**Q.** Considering all the lawbreaking involved, was it worth getting Lyndon Johnson to the Senate and eventually to his leadership?

**A.** I think he was the greatest Senate majority leader in history. His personal power made the position important. The Johnson "treatment" is legendary. He'd back you into the corner, press his nose against yours, tower over you, put his arm around you. He also understood when to speed up or slow down debate, when to settle things in a back room. He knew what each Senator liked to eat and drink, needed politically, wanted personally. He changed the

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# INTERVIEW

seniority rules and provided choice assignments to younger Senators. That was good for the Senate, and it obligated them to him. He brought vision to the job. He helped create NASA to keep the space program away from interservice military rivalry. There's no better example of his vision than the 1957 civil rights law. People have said it was more symbolic than substantive, which is true. But Johnson understood that symbolism had to precede substantive change. We hadn't had a major civil rights bill since 1875. This opened the door.

## Q. What about Johnson's presidential ambitions?

A. One striking revelation I've come across is that Joe Kennedy sent Tommy Corcoran to Texas in 1955 to ask if Johnson would be willing to try for the presidency in 1956 with Jack Kennedy as his running mate. The Kennedys would provide the funds. Johnson turned it down flat. He knew the Kennedys hoped only for a respectable loss that would neutralize the Democratic Party's worries about Kennedy's Catholicism. It would be the end of Johnson's presidential ambitions.

## "His vision of American domestic life approaches greatness."

When Bobby Kennedy heard that Johnson had refused, he threw a fit. I think this was the beginning of the Bobby Kennedy-Lyndon Johnson feud.

## Q. If Johnson had such fierce presidential ambitions, why did he give up his powerful Senate position for the powerless vice presidency?

A. He felt his power ebbing in the Senate. Liberal Senators were coming in who resisted him. He thought he could change the vice presidency as he'd changed everything else in his career. He'd make it more important than it had been.

## Q. Where do you rank Johnson historically?

A. I consider him a near great President, on a level with Truman. His vision of American domestic life approaches greatness. Johnson also had profound flaws. Examining his failure in Vietnam will be the task of my second volume.

## Q. How do you feel about Johnson personally?

A. One doesn't simply write about Lyndon Johnson. You get the Johnson treatment from beyond the grave—arm around you, nose to nose. I should admit that he also reminds me of my father, quite an overbearing and narcissistic character. And in some ways, he reminds me of myself. Another workaholic. ■

# LETTERS

## WHO ARE WE?

## "Behind the banner of multiculturalism lies the specter of tribalism."

Bill Gregory  
San Francisco



As an educator, I strongly resist the inclination to rewrite history to include today's divergent cultures [NATION, July 8]. An individual with critical-thinking skills is aware of facts and perspective and knows the difference. That American history was written by white males is part of history itself. Blacks want history to reflect their struggles more accurately, while women would like to see more women's issues and experiences explored. So whose views will be called the truth? Women's? Men's? Blacks? Whites? Asians? Catholics? Jews? Gays?

Tanya Urcavich  
Mount Clemens, Mich.

It is wrong to assume that the "old" method of teaching American history has not had harmful results. We African-American students have found it important to ensure that the vision of the past not be distorted. In the fifth grade, when my class studied the Civil War, our teacher stated without equivocation that the slaves were better off because they were given "civilization" and religion. She also told us that blacks were happy because they were well cared for by their "masters." She neglected to describe the bitter dehumaniza-

tion produced in both victim and perpetrator. There was no discussion of slave insurrections, lynchings, whippings or families broken up and sold. Those who argue against "political correctness" obviously have not shared my historical experience.

Sherry F. Bellamy  
Washington

For many of us, the greatest fascination with the U.S. comes from the spectacle of so many religious and racial groups peacefully living together without destroying, denying or scorning one another's religion or race. If, through the ideal of multiculturalism, the same tolerance is enlarged to include language, this can only broaden the principles of democracy.

Daniele Conversi  
Rome

As a white male of German and Spanish ancestry, I am intrigued by the revisionist position that ethnic groups should "maintain and publicly celebrate their differences." I suppose this means that I should henceforth drive around my multicultural neighborhood with my car stereo turned up loud playing *Deutschland über Alles* alternately with *Boleto*. Perhaps it is best to "go with the flow."

William S. Vaughn  
Seattle

For an example of what often happens to a country that chooses to define itself as multicultural, look at Yugoslavia today or the U.S. during the Civil War. Behind the banner of multiculturalism lies the specter of tribalism.

Bill Gregory  
San Francisco

Equality is not retroactive. It does not mean that all people have contributed in equal proportions to all things at all times.

Michael J. Pastore  
Naperville, Ill.

Multiculturalism is the intellectual junk bond of the '90s. Are the short-term returns worth the risk of devaluing our proven cultural assets?

Bruce Kidd  
Clovis, Calif.

## Justice for All

In reading about Justice Thurgood Marshall's retiring from the Supreme Court, I realized that the time has come to open a new debate in America [NATION, July 8]. The issue: If Supreme Court Justices are going to behave like Chicago aldermen, constantly returning ideological favors to those who appointed them, then ought we not limit the Justices to the terms served by these small-time politicians?

Andrew S. Myers  
Henderson, Nev.

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## TIME, JULY 29, 1991





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## GRAPEVINE

By DAVID ELLIS/Reported by Sidney Urquhart

### TINKER, TAILOR, SOLDIER—SCREW-UP?

Even if **ROBERT GATES** shakes off the Iran-*contra* allegations that have stymied his chances to be head of the CIA, will his spy staff ever respect a guy who flunked Surveillance 101? When Gates was a young CIA trainee in the early 1960s, one of his early attempts to tail a suspect was notably unsuccessful, according to a former classmate. Gates was assigned to shadow a man in Richmond. But the local police became curious about the apprentice spy loitering on a street corner and hauled Gates in for questioning. Hours later, after a CIA instructor intervened, the spook-to-be was returned to quarters at Camp Peary. Gates then traded in his trenchcoat and eventually became the agency's top analyst.

### HEY, YOU STARTED IT

Ever since President Bush announced plans to visit Hawaii for the 50th anniversary of the **PEARL HARBOR** attack, the government of Toshiki Kaifu has been scrambling to avert a fresh round of Japan bashing. Kaifu's advisers have suggested that when Bush travels to Tokyo as scheduled in late November, he pay a respectful call on Hiroshima. Some have even hinted that Bush, a World War II fighter pilot who was shot down by the Japanese in 1944, should take Kaifu with him to Pearl Harbor to symbolize how two old enemies are now allies. But White House officials vehemently oppose the plan. Says one: "The idea seems to be to make it appear that we behaved as badly as the Japanese."

### BRINGING IT ALL BACK HOME

It's never too early to plan for those retirement years, and **GEORGE BUSH** seems to be taking that maxim to heart. The President has quietly bought a lot in suburban Houston, taking advantage of the soft Texas real estate market to find a spot to build a post-presidency residence that's close to his old friends in the oil industry. The Bushes will spend eight months of the year there while continuing to pass the summer season in Kennebunkport.

### WE'RE NOT GONNA TAKE IT

Is the race for the Democratic presidential nomination finally showing signs of life? There seems to be a general increase in testosterone levels among potential candidates, who promise they won't "do a Dukakis" by allowing Republicans to get the rhetorical advantage. Senator **TOM HARKIN** of Iowa has a get-tough campaign strategy: "Always attack, never defend and never fight on their territory." Once Bush launches an unfair offensive, "I'm going to hit him right back between the eyes," snarls Harkin. Tennessee Senator **AL GORE** mixes lofty rhetoric with a downright bloodthirsty warning to George Bush. "You run with your heart and soul," he notes. But you also have to be willing to "rip the lungs out" of a hardball-playing adversary.

### SPIRITUAL AID IS EASIER TO OBTAIN

A few eyebrows were raised by an unusual private meeting **MIKHAIL GORBACHEV** scheduled during the London economic summit. The Soviet leader took time out from importuning Western leaders for economic help to greet his friend **SRI CHINMOY**, the New Age Indian guru. As French President François Mitterrand watched from the side, Gorbachev accepted a book of praise from the spiritual leader, who is based in Queens, N.Y. Gorbachev, who has been known to sprinkle speeches with terminology about his vision for a "new civilization" that obeys "new laws and logic," first met the guru last year on a state visit to Canada.



Dec. 7: an uncomfortable date in Japan



Gore has a tough message to deliver

### VOX POP

Do you believe that any American MIAs are still alive in Vietnam?

**Yes 70% No 19%**

From a telephone poll of 500 American adults taken for TIME/CNN on July 18 by Yankee Group. Chance Chairman. Sampling error is plus or minus 4.5%. "Not sure" omitted.



The spiritual leader first met glasnost's guru last year

**Nation**

TIME/JULY 29, 1991

RACE RELATIONS

# Browns vs. Blacks

Once solidly united in the fight for equality, America's two largest minority groups have turned on each other in a fight for power





By ALEX PRUD'HOMME

**B**itter divisions are breaking out between the nation's two largest minorities. Once solidly united in the drive for equality, blacks and Hispanics are now often at odds over such issues as jobs, immigration and political empowerment. At the root of the quarrels is a seismic demographic change: early in the next century, Hispanics will outnumber African Americans for the first time.

Though the differences were long submerged, they burst into the open last year just before the annual awards dinner of the Leadership Conference on Civil Rights in Washington. Instead of easy talk between old friends, an angry argument erupted. Contending that immigration laws discriminate against Latino workers, Hispanics asked the group to support repeal of the legislation. At first blacks refused, charging that Latino immigrants take jobs away from poor blacks. Furious, Hispanics threatened to storm out in protest. Only eleventh-hour diplomacy by Benjamin L. Hooks, executive director of the National Association for the Advancement of Colored People, coaxed the Latinos back to the table.

As their numbers have grown, Hispanics have become more strident in their demands for a larger slice of the economic and political pie. Blacks, long accustomed to being the senior partner in the minority coalition, fear that those gains will come at their expense. Meanwhile, demagogues on both sides have pitted black against brown in a bid for short-term political advantage. Says Arthur Fletcher, chairman of the U.S. Commission on Civil Rights: "On a scale of 1 to 10, I would put Latino-black relations on the negative side of 5."

Increasingly, these long-simmering tensions are flaring into violence, especially in cities where one of the groups has a monopoly on political power. Last May, Hispanics in black-controlled Washington went on a two-day rampage after a Latino man was wounded by a black police officer. In Cuban-dominated Miami four weeks ago, blacks briefly rioted following the overturn of the conviction of a Hispanic police officer for killing two black motorcyclists. It was the sixth such disturbance in 10 years.

Underlying the disputes is a growing divergence of the interests of the two groups, reinforced by mutual suspicion. Black and Hispanic leaders, says Alejandro Portes, a sociologist at Johns Hopkins University, "see everything as a zero-sum game. If blacks get something, Latinos lose something, and vice versa." Many African Americans believe that Latinos are benefiting from civil rights victories won by blacks with little help from Hispanics. Says

Fletcher: "During the height of the civil rights movement, Hispanics were conspicuous by their absence. They kept asking, 'What about us?' But rather than joining us in fighting the system, Hispanics were fighting us for the crumbs. And that in large part is still what's going on."

For their part, some Hispanics complain that blacks are unwilling to treat them as equals in the fight for equal rights. "We sometimes have assumed that because blacks have fought civil rights battles, they are more sensitive to our struggle," says Raul Yzaguirre, president of the National Council of La Raza, a federation of 140 Hispanic organizations. "That's not



always the case. Blacks say to us, 'You're whiter than us. You're immigrants, and we've seen people like you get ahead of us. So we're going to be very suspicious of you.' The major points of contention:

**IMMIGRATION.** In Miami the roots of Latino-black antipathy date back to the arrival of thousands of refugees from Castro's Cuba during the 1960s. Many of the newcomers benefited from U.S. government programs that provided \$1 billion worth of refugee-assistance payments and small-business loans. Even worse, the immigrants soon began taking most of the menial jobs in the tourist-hotel industry, the city's largest source of employment.

Relations have frayed even more because of U.S. immigration policy. Washington's hostility to Castro's regime means that nearly all Cuban immigrants are treated as political refugees and allowed to remain in the U.S. But almost all the would-be immigrants from Haiti are classified as economic refugees and sent back to their homeland. The disparity in treatment was vividly illustrated in early July, when a Coast Guard cutter intercepted a fishing boat carrying 161 Haitians and two Cubans they had plucked from a raft in the Carib-

bean. Both Cubans were permitted to stay in the U.S. All but nine of the Haitians were sent home.

**POLITICS.** Although black and Hispanic voters have often united behind candidates from one group or the other, attempts to weld long-lasting political coalitions in most large cities have been difficult to sustain. A case in point: the Latino-black alliance that helped elect Harold Washington as Chicago's first black mayor in 1983. Nearly 7 out of 10 Hispanics voted for Washington and gained a voice in local politics they had never had before. Acknowledging the importance of the Hispanic vote, Washington appointed Latinos to several key positions.

But cracks appeared in the coalition after it became known that blacks were being hired for patronage jobs at a much higher rate than Hispanics. When Washington suddenly died in 1987 just a few months into his second term, a succession battle split the city. Two years later, 75% of Hispanics deserted the black candidate, city alderman Timothy Evans, and cast their ballots for the winner, Richard M. Daley, son of the late Chicago boss. Explains alderman Luis Gutierrez: "Rich Daley sent a message—I'll build a coalition with Hispanics, and my government will respond to you."

**JOBS.** Many blacks fear that Hispanic immigrants, who are often willing to work for less than the legal minimum wage, are supplanting them in even the lowest positions. "Young black males stand on the street corner every day," says James H. Johnson, director of UCLA's Center for the Study of Urban Poverty. "Hispanic males stand on the street corner too. But somebody comes by and takes them to work. Nobody picks up black males but the police. Blacks look at Hispanics as the problem."

Hispanics say that blacks resist any attempts to increase Latino employment. In Los Angeles County, for example, blacks, who make up 10% of the population, hold 30% of the county jobs. Hispanics, who constitute 33% of the population, hold only 18% of the jobs. "Blacks think we want to take jobs away from them, so they're fighting us tooth and nail," says Raul Nunez, president of the Los Angeles County Chicano Employees Association. "They are doing the same thing to us that whites did to them."

What leaders in both camps fear most is that some white politicians will try to exploit their divisions by playing off the two groups against each other. Before George Bush selected black Appeals Court Judge Clarence Thomas to fill the Supreme Court seat vacated by Thurgood Marshall, the White House let it be known that a Hispanic jurist, Emilio Garza, was also being considered. Some Latinos believe that the

Chicago's predominantly Latino Pilsen district: across the nation, Hispanics are on the march



## Nation



**Battling in the streets:** In Washington, Hispanics rioted for two days last May after a black policewoman shot a Central American immigrant

information was leaked mainly to lure Hispanics to the Republican banner.

Some Hispanics and blacks are working to heal the rift between them. Last July, African-American and Latino scholars and politicians met at Harvard University to air their grievances. "We are seeing that it is time for society to pay attention to His-

panics' much delayed political maturation," says Christopher Edley, a black Harvard Law School professor. "The jury is still out on how the black community will respond: Will we welcome the growing strength of a longtime ally, or will we respond by feeling threatened or displaced?"

Events in Los Angeles could provide a

model for how the two groups can work together. Last year Hispanic activists won a major victory when a federal judge ruled that the Los Angeles County board of supervisors had gerrymandered election districts to prevent Latino candidates from winning a seat on the powerful governing body, and ordered the lines to be redrawn. The case had been brought under the Voting Rights Act, one of the major fruits of the black civil rights struggle, and it resulted in the election last February of Gloria Molina, the first Hispanic supervisor since 1875.

From the start, lawyers for the Hispanic plaintiffs consulted with blacks to ensure that their voting strength was not diluted by the redistricting. "We shared our plans with them, they shared their plans with us, and we came up with a plan that didn't step on anybody's toes," says Richard P. Fajardo, an attorney for the Mexican-American Legal Defense and Educational Fund.

If current trends in immigration and birth rates continue, minorities will outnumber white Americans midway through the 21st century. Under those circumstances, blacks and Hispanics have no choice but to collaborate. They have far more to gain from pooling their strengths than from bickering with each other.

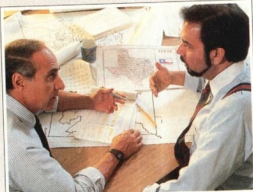
—Reported by Ricardo Chavira/  
Washington, Sylvester Monroe/Los Angeles and  
Richard Woodbury/Houston

## Getting a Grip on Power

Nowhere is the growing clout of Hispanics more evident than in the battles over redrawing local-, state- and congressional-election maps based on the 1990 Census. Armed with small computers, Latino activists are trying to translate their swelling numbers into political power by creating districts in which Hispanic voters are the majority.

Hispanic leaders say they hope to double their seats in Congress, from 10 to 19, and add scores of Latinos to legislatures and city councils. California, Texas and Florida, where Latino population gains have been largest over the past decade, hold the most potential for Hispanic political gains. Says Andy Hernandez, president of the Southwest Voter Registration Education Project: "Redistricting is the best chance for Hispanics to protect their rights, participate in government and make democracy work for them."

The activists' key weapon is the Voting Rights Act, which permits the U.S. Justice Department to veto any districting



**Drawing the lines:** leaders of the Southwest Voter Registration Education Project plot new election districts

plan that dilutes the voting strength of minorities. Last week the Justice Department blocked the use of a new redistricting plan for the New York city council on the grounds that it "consistently disfavored" Hispanic voters.

One challenge for Latinos is to craft new election boundaries that will ensure winnable districts without aggravating Hispanics' tense relationships with blacks. In Houston, for example, blacks and browns have clashed over school-board realignments and a proposed city council expansion. "The big question is, Where do you draw the lines?" says Franklin Jones, a political scientist at Texas Southern University. "As Hispanics strengthen their push toward inclusion, we'll see more conflicts."

All the remapping will count for little if Latinos cannot mobilize on Election Day. Although they are 26% of the Texas population, Hispanics constitute only 14% of the registered voters—and barely 50% of them actually vote. "But when people discover that their vote can make a difference," Hernandez predicts, "they will turn out in record numbers."

SCANDALS

# Walsh: Targeting A CIA Cover-Up

**The independent counsel says the agency's attempt to conceal its Iran-contra role could have been discovered much sooner**

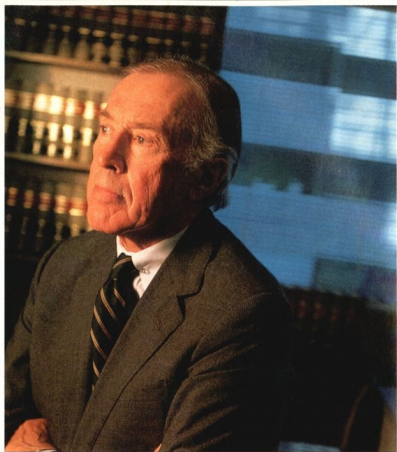
By JAY PETERZELL WASHINGTON

**W**as the illegal diversion of profits from Iranian arms sales to the Nicaraguan *contras* an unauthorized plot hatched by a small band of zealots in Ronald Reagan's National Security Council? Or did high-ranking members of the U.S. intelligence community not only learn about the scheme and do nothing to stop it, but unlawfully help to conceal it from Congress?

Those unsettling questions have become the focus of the investigation by Lawrence E. Walsh, who has been the Iran-contra independent counsel since December 1986. His inquiry is being assisted by Alan Fiers, former head of the CIA's Central American Task Force, who has admitted misleading Congress about when the agency first learned of the diversions. Fiers now says he became aware of the fund transfers during the summer of 1986 and warned the agency's deputy director of operations, Clair E. George, about them. But he charges that George ordered him to deny any knowledge of the U.S. role in supplying weapons to the *contras* when he testified before the House intelligence committee in October 1986.

Fiers' disclosures may lead Walsh to seek perjury indictments against George and others. They have also cast a shadow over President Bush's nomination of Deputy National Security Adviser Robert M. Gates to become the CIA's director.

Last week the Senate intelligence committee postponed Gates' confirmation hearings so that investigators can probe further his knowledge of the illegal supply effort. Some Senators find it hard to believe that Gates could not have known about an operation with which his boss, the late CIA chief William Casey, and his subordinates were familiar. Gates claimed repeatedly that he had only vague inklings about the unauthorized aid in late 1986, when he served as deputy to Casey. But



late last week, in response to new reports that he was briefed several times on help to the *contras*, the White House acknowledged that Gates had played a central role in overseeing aspects of the plan—but only the intelligence and communications parts that Congress had authorized.

Walsh discussed the case with *TIME*, including how disagreements with Attorney General Dick Thornburgh over the use of classified information hindered his investigation. Excerpts:

**Q. You've had a lot of problems in this prosecution with classified information. How did that affect your work?**

**A.** The classified-information problem is frustrating because there is no review of the subjective judgment of the intelligence agencies in saying they will not release information that a court has held necessary for a fair trial.

It's not just information that the government needs to prosecute its case. The problem also arises when the defendant asks for information he says is necessary for a fair trial and the judge agrees with him. And then the intelligence agency holds back that information on what sometimes seems to be an excessive claim of the need for the secrecy of information that is already publicly known.

In an ordinary prosecution by the Department of Justice, the Attorney General can overrule that determination. But the independent counsel does not have the power to do so. That decision remains with the Attorney General. Whereas the Attorney General is fully familiar with prosecutions by his own department, he is not comparably familiar with a prosecution by the independent counsel—and indeed, I think he has less concern for it.

**Q. Because it's not his prosecution, he's less willing to bear the pain of declassifying?**

**A.** That's right. He would be loath to overrule the intelligence agencies in any event; but in his own case he's at least in a position to evaluate the importance of the prosecution.

In the Joseph Fernandez case I think he grossly underestimated the value of that case and the strength of that case. [Fernandez, a former CIA agent, was accused of lying about his involvement in helping supply arms to the *contras*. The charges against him were dismissed in 1989 because Thornburgh would not release classified documents Fernandez needed to present his defense.]

**Q. You think that if the Attorney General had understood the Fernandez case better he**

## Nation

would have made the judgment differently about whether to declassify?

**A.** If he were truly concerned about the need for the prosecution to go forward. It was a key point for this investigation. Now the Fiers disclosures have in a sense leapfrogged the Fernandez case. But Mr. Fernandez—as he acknowledged in public interviews—was going to implicate his superiors. And he named them.

**Q.** Whom did he name?

**A.** He named Fiers and George.

**Q.** You thought the Fernandez case would enable you to travel up the CIA's chain of command?

**A.** Yes, that was the beginning.

**Q.** After the Fernandez case washed out, did you think that Fiers was another likely place to start up that chain of command?

**A.** That was the obvious next starting place. Because Fiers was the guy to whom Fernandez reported.

**Q.** The Fiers plea raises the issue of knowledge by CIA higher-ups and of a deliberate policy to cover up that knowledge. Is that accurate?

**A.** I don't want to characterize his statements, because he's obviously going to be a witness. But your interpretation of the statement, I think, is very fair.

**Q.** Is there a conflict in the agency deciding what information can be released when intelligence officials are themselves likely targets?

**A.** There certainly is the possibility of a conflict of interest. And without talking about Fiers, I have said previously that I feel that there is a doctrinaire approach to classified information and that the protection around it is excessive.

**Q.** So does it create a conflict of interest for the CIA to be recommending to the Attorney General what information can and cannot be released?

**A.** There is certainly an appearance of conflict of interest. And there can be a conflict of interest depending upon how the responsible person at the CIA views the matter. If he's concerned with protecting the agency or an officer or former officer of the agency from exposure, that's one thing. If he's concerned with the protection of information regardless of the reason for its exposure, that's something else.

**Q.** David Boren, the chairman of the Senate intelligence committee, wants to ask Fiers and George what Gates knew about Iran-contra. Do you plan to indict George?

**A.** I can't talk about our plans that way. But we recognize the need and desire of the committee to get as much information as it can. We hope that it can be done without in any way jeopardizing our investiga-

tion. And always the biggest threat to an investigation or prosecution is a grant of immunity to a witness. We hope that any immunity would be very sparingly used.

**Q.** The Fiers plea has raised the question of whether Gates knew about illegal support to the contras much earlier than he says he did and lied to Congress about this. It's hard to imagine the committee acting on his nomination without resolving that question. How can they resolve it?

**A.** You really have a dilemma here. An inquiry about one person in isolation is rarely satisfactory or credible. Rather than investigating the acts of a single in-

**“We recognize the need and desire of the [intelligence] committee to get as much information as it can [about Gates]. We hope that it can be done without jeopardizing our investigation.”**

dividual, you have to build up a broad context, examining an activity and all its ramifications. That gives you the background to evaluate each individual and make a satisfactory decision about whether he's involved or not.

It really begins with a massive records search and the evaluation of the testimony of each witness in light of what has been learned from the records. And then the evaluation of each succeeding witness in light of what has been told by others.

So if the committee wants to know what happened five years ago, they are confronted with the need to make that kind of comprehensive investigation themselves, rather than just asking one or two people. Or they can await the outcome of our investigation.

**Q.** You are building up that sort of complex understanding of how things worked at the CIA?

**A.** Yes. Fiers' disclosures require us to look into a CIA cover-up.

**Q.** I take it Fiers' plea is not really the beginning of your look at the CIA.

**A.** I think you can assume we've been looking into this since the Fernandez thing.

**Q.** Gates was Casey's executive assistant in 1981. Some people see that as significant; an executive assistant tends to know everything his boss is doing. And that may be relevant in evaluating the relationship between Casey and Gates when he was his deputy.

**A.** [Pause.]

**Q.** Well, you've said you were surprised by Fiers' admissions. Why?

**A.** By the specificity. Usually when defendants first decide to assist the prosecution they are more likely to do it in a generalized way. It doesn't seem to come out as clearly thought out as Fiers' statements in court were.

**Q.** Another conflict is whether Congress should investigate cases like Iran-contra because there is a need for public exposure, or wait for a criminal prosecution to bring the facts to light. How well do criminal prosecutions, even if you're willing to wait, serve the public-exposure interest in a case like this?

**A.** I think they serve it quite well. New facts do come out. The criminal process is much slower. It has to be in order to protect the legitimate interest of each defendant. But the information does come out in each trial.

**Q.** You've certainly gotten some new information from Mr. Fiers.

**A.** I think so.

**Q.** Do you feel vindicated, in terms of the usefulness of the office, by this break? You were in a frustrating situation for a while.

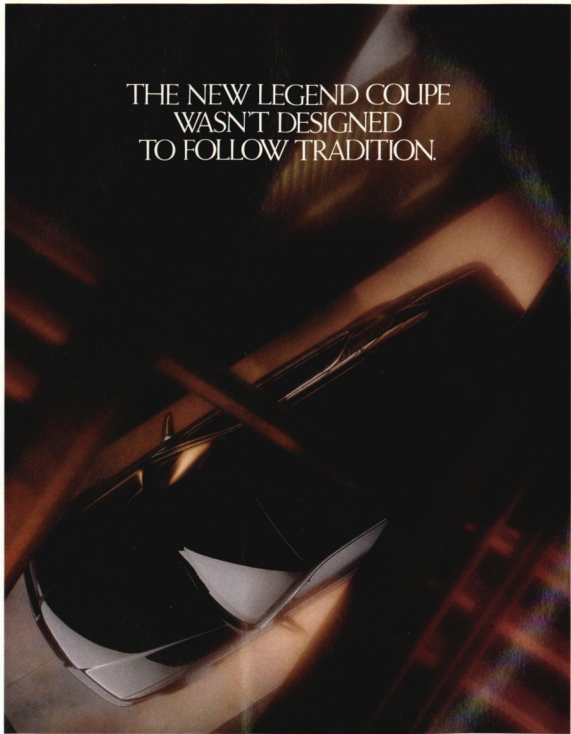
**A.** We were in a frustrating situation. I hesitate to use the word vindicated. The difficulty of the assignment which the office drew was obvious. And the difficulties were compounded by the immunity and classified information problems.

If additional disclosures come because of the testimony of any witness, and particularly a cooperating witness who is very well informed, why I think that adds to the value of the work of the office.

**Q.** How long are you going to operate?

**A.** If I finished up tomorrow, I could not say I hurried. [Laughs.] But obviously, we have to follow up the leads that come from the Fiers disclosures. We've been trying to wind up. But that isn't what happened. He's opened an area that has to be investigated.

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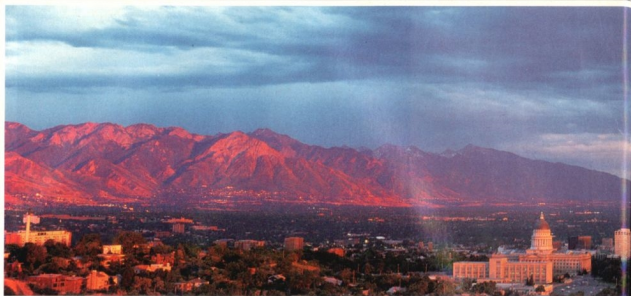
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THE WEST

# Mixing Business And Faith

**Most states are struggling with economic hard times, but Utah—and the Mormons—are riding high**

By SALLY B. DONNELLY SALT LAKE CITY

If religion, as Karl Marx once wrote, is "the opium of the people," in Utah it is the amphetamine. Thanks largely to the influence of the Church of Jesus Christ of Latter-day Saints—the Mormons—Utah has become the envy of its neighbors. Other states are bogged down in recession, but Utah's economy is racing. Other states around the country are raising taxes and cutting services to balance their budgets, but Utah is enjoying a third straight budget surplus. Other states are having trouble attracting job-creating businesses, but in Utah they are flocking in from all over. What Utah proves is that church and government can work together to usher in good times.

That the rest of the country has cause to be jealous of Utah is an oddity. Established by the Mormons as a religious refuge in 1847, Utah applied for statehood six times before it was accepted into the Union. The locals even went so far as to name a county (Millard) and a town (Fillmore) after the 13th President in an unsuccessful attempt to get him on the side of Utah statehood. Not until 1896, when the Mormons formally abandoned polygamy, did Utah finally make it.

Even after that, most Americans tended to regard the state as a remote and mysterious place notable only for the Great Salt Lake, striking desert landscapes and the multiple marriages of some of its inhabitants. But while outsiders snickered, Utah was working a quiet revolution. It now boasts the nation's youngest, best-educated and most productive work force. It has launched an aggressive economic development program to create new jobs at a rate of 30,000 a year. About 80% of these positions were started by local entrepreneurs. But Utah has also lured such companies as Delta Air Lines, Fidelity Investments and Sears' Discover Card.

The Mormons deserve much of the credit for Utah's economic vibrancy. Two-thirds of the population of 1.7 million belongs to the church, which has helped to shape the boom in both direct and indirect ways. In business terms, the church is an \$8 billion-a-year conglomerate that employs about 10,000 people. Bankrolled in large measure by tithes from its members, the church has vast holdings in real estate, financial services, broadcasting, publishing and insurance. The church's strict morality (it forbids premarital sex, gambling and the use of tobacco, alcohol and drugs) reinforces the hardworking nature of Utah's



P.F. BENTLEY FOR TIME

people. A Wall Street bond trader puts it succinctly: "All they do there is breed, pray and make money."

The Mormons' proselytizing tradition has made Utah attractive to companies in the U.S. and abroad. Each year the church sends out thousands of young men (and some women) to live abroad and preach the Mormon word—in the local language. As a result, Utah has a disproportionately high number of people who are fluent in foreign languages, a prime selling point in the global marketplace. Compeq, a Taiwan-based computer-board maker, decided to open its first overseas plant in Utah in part because its managers knew Utah has hundreds of Mormon missionaries familiar with their country's culture and language. For similar reasons, American Express

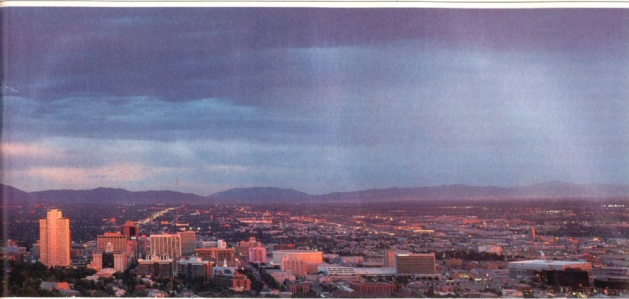


PHOTO BY AP/WIDEWORLD



**Salt Lake City sprawls across some of the most striking scenery in the West; foreign companies like Compeq are flocking to the state; workers are rehabilitating a hotel to provide office space for the ever expanding Mormon Church**

MARK RICHARDS FOR TIME

chose West Valley City as the location for the telephone service of its traveler's-check operation, which handles customer inquiries from around the world.

Still, the current boom owes at least as much to shrewd timing as to divine providence. The state slumped into a deep recession in the early 1980s when the mining and steel industries collapsed. With remarkable foresight, government and business leaders began a restructuring of the economic base that is now paying off. In place of declining heavy industries, homegrown computer firms like WordPerfect and Novell stepped in. "That earlier downturn helped us root out our problems," says Kelly Matthews, chief economist at First Security Bank. "We haven't exactly earned our current good fortune, but in

a sense we've already paid our dues."

The corporate recruits are drawn not only by a low-cost (average monthly wage: \$1,585, vs. the average wage nationally of \$1,850), well-trained work force that is 8% unionized, but also by the hospitality offered by an unusually cooperative state administration. When Al Egbert, general manager of the McDonnell Douglas operation in Salt Lake City, recently got word that an oversize truckload would arrive on a Friday evening, he called the necessary state officials at home, and a highway escort was arranged. The delivery finally came at 9 p.m. "Utah is a unique place, where you can actually get things done," says Egbert. "The cultural norm is to work together and make a profit."

However, not everyone thinks Utah is

heaven on earth. Some residents are uneasy about what they regard as putting the profit motive above all else. "There are core aspects of Utah's development—the 'human infrastructure' side of things—like education costs, health care and wage rates—that are not being adequately addressed," says Bill Walsh, head of Utah Issues, an advocacy group for low-income people. Despite the stress on education, Utah is last in the nation in per capita spending on schooling.

For women in particular, life in Utah can be hard. Though no longer legal, polygamy persists in rural areas. There are more females than males in the work force, but they earn only 54¢ for every \$1 a man earns, vs. the national ratio of 72¢. A woman who wants an abortion may not be able to get one in Utah much longer. Last January the state legislature—which is 90% white, male and Mormon—passed a law that would make virtually all abortions punishable by imprisonment. It has not been implemented because it is held up in the courts.

Racial minorities too can find life in Utah uncomfortable. The state's population is 93% white, and minorities lack the critical mass to make their concerns heard. Although the unemployment rate is only 5% (compared with 7% nationally), many Utahans work in low-paying service-industry jobs that make supporting a family difficult. Just over 10% of the people live in poverty, and although their circumstances are not nearly as desperate as those of the poor in other parts of the country, many fall in the cracks of the Mormon and state welfare systems. To critics, the failure to correct these flaws is all the more frustrating because Utah has the wealth to address them. "Utah is not that different from the rest of the country in terms of the social and economic problems it faces," says Professor Nancy Amidei of the School



of Social Work at the University of Utah. "But the smaller scale makes it potentially more manageable."

These problems have not deterred a huge surge of visitors and new residents. Tourism now brings in \$2 billion annually, and new arrivals from other states and foreign countries have begun to dilute the pervasive—and sometimes smothering—Mormon atmosphere. For some, the changes flowing from Utah's opening itself to the outside world cannot happen soon enough.

Though Utah politics tends to be fairly dull and uniformly conservative, issues are bubbling to the surface that are causing residents to take a hard look ahead. "The leadership is at a crossroads," says Deedee Corradini, a businesswoman who is favored to become the city's first woman mayor this fall. "We have to make the transformation from reactive politics to involved, activist politics."

Environmental concerns are of increasing importance to a state that has only so much land to itself, since the Federal Government controls 60% of Utah. Some of that is devoted to U.S. military facilities that house almost half the country's stockpile of chemical weapons. "We deal with heartland issues that set individual rights against government wishes," explains Steve Erickson, a spokesman for Downwinders, a citizens' group.

**T**he new Utah is most evident in Salt Lake County (pop. 728,000). Since 1975, so many people have moved in that Mormons, once 75% of the population, now account for only half. Eighteen months ago, the city relaxed its prohibition on alcohol, and bars and restaurants are thriving. The local gay community has become large enough and vocal enough to have mounted a colorful antidiscrimination protest at the Salt Lake County fairgrounds in June. Some of America's best ski areas are 20 minutes away from high-rise office buildings. A \$500 million downtown redevelopment project has revived the city's arts community. Even intellectual life got a charge last month when the University of Utah named Arthur Smith as the first non-Mormon president in its 141-year history. "Salt Lake City is what people think Denver should be," says mayoral candidate Corradini.

Even more startling transformations may occur if Utah keeps attracting people from around the world. And the church is starting to feel the pressure flowing from its success. By the year 2000, more than half the Mormons' worldwide membership of 8 million will be from Third World countries—and many could move to Utah. Accommodating such diversity could be wrenching for a faith that did not allow blacks to hold any church office or join the priesthood until 1978 and still bars women from the clergy. After a century and a half of isolation, Utah is no longer a place that Mormons can keep to themselves. ■

#### ENVIRONMENT

## Death of a River

**An ecological catastrophe in California points to the need for new rules on the transport of toxic compounds**

By PHILIP ELMER-DEWITT

**A**s it wound through the canyons south of Mount Shasta, 60 miles below the Oregon border, the Sacramento River was a babbling stream, rugged enough to attract kayakers, yet so pristine that it supported a thriving population of blue-ribbon trout. Each year the 45-mile stretch of river lured thousands of anglers and tourists, drawn by the bucolic setting and the reputation of its native rainbows and browns.

But now the trout are dead, the fishing

more than 1.5 million carloads of poisons, solvents, pesticides and other hazardous materials are hauled across the U.S. by train. Given the sheer volume of traffic, accidental chemical releases are inevitable, and they occur at the rate of about three a day. In 1988 there were 1,015 toxic rail spills; last year there were 1,254 such incidents, an increase of nearly 25%.

Environmentalists complain that not enough has been done to ensure that the trucks and tanker cars are puncture-proof and that they avoid particularly dangerous routes. The Chemical Manufacturers As-



The derailed train, with its punctured tanker car wedged against the stream bank at left

is finished, and the tourist industry is suffering. A Southern Pacific tanker car derailed last week on a tricky canyon bridge six miles north of Dunsmuir, Calif., and spilled its contents into the river: 19,500 gal. of metam sodium, a liquid herbicide.

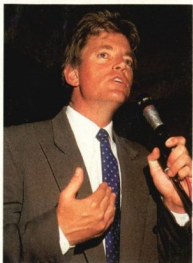
As environmentalists and sports fishermen watched in horror, a 10-mile lime green plume of death drifted slowly down the river, wiping out most of the ecosystem—aquatic plants, nymphs, caddis flies, mayflies and at least 100,000 trout. Even more alarming to Californians was that the spill occurred 27 miles upstream of Lake Shasta, the state's largest man-made reservoir.

Fortunately, the long-term threat to humans is probably minimal. Lake Shasta holds 550 billion gal. of water and should easily absorb the spill. Health officials say the water is safe to drink. But the incident served as a reminder that no one living in a modern industrial society is safe from an environmental catastrophe like the one that befell the Sacramento. Each year

sociation replies that it is already hamstrung by thousands of federal, state and local statutes. But it concedes that those laws were written with an eye to protecting human populations, not the environment. Chemicals that are explosive, flammable or toxic to humans are classified as very hazardous and handled accordingly. A pesticide like metam sodium, which can destroy an entire ecosystem, is still considered nonhazardous.

The death of the river may help change all that. The National Transportation Safety Board has long argued for stronger, safer cars for carrying so-called environmentally sensitive chemicals, and the idea has gained support on Capitol Hill, where the Federal Railroad Safety Act is up for revision. Scientists say it may be 10 years before the Sacramento River has fully recovered. Perhaps by then tanker cars will be safe enough to guarantee that a disaster like last week's can not happen again. —Reported by Jeanne McDowell/Los Angeles and Linda Williams/New York

## AMERICAN NOTES



Man with a message: ex-Klansman Duke

### TENNESSEE

## Guess Who's Coming?

Talk about strange bedfellows. Even David Duke, the blow-dried Louisiana legislator and former Ku Klux Klansman, must have been taken aback when a black Pentecostal church in Memphis invited him

to speak at a rally to raise money for a gymnasium to serve inner-city black youths. "Duke draws a crowd, he has a message and he says he's a Christian," explained Jimmy Boyd, the owner of a local gospel radio station, who arranged the event.

But Duke is also an ambitious politician who is a candidate for Governor of Louisiana, a state with a large black vote. At the rally at a downtown convention center he delivered a typically bombastic Save Our

Nation spiel, including his usual appeal to overhaul welfare and do away with quotas and set-aside programs for minority businessmen. The rally drew a meager audience of 30 people and was pitiful as a fund raiser. Duke, however, profited handsomely: he got a chance to soften his racist image without saying anything new.

### THE DEFICIT

## Just Say Oops!

What do you call a \$100 billion mistake? Inexcusable? Grotesque? If you are a Washington bureaucrat, you call it a "technical re-estimate." That was the modest verbiage employed by the Office of Management and Budget last week when, during its mid-year review, the agency acknowledged that estimates of tax revenues for the next five years were \$130 billion too high. The result: even higher budget deficits.

Two days later, OMB Director Richard Darman explained to the Senate Budget Committee that the problem was a Treasury Department accounting blunder. "As far as we understand, we made a mistake," he said. "There it is, let's face it and move on down the road."

Committee chairman Jim Sasser of Tennessee didn't buy Darman's cavalier position. "If you want to put that number in grisly perspective," he said, "it constitutes the entire amount of revenue we raised in the budget summit last year—the total tax package over which we shed so much blood."



The deficit numbers got bigger, and so did Senate paychecks

### SOUTH CAROLINA

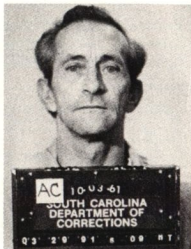
## A Cannon on The Loose

Elvis Presley could probably swing through parts of South Carolina in a flying saucer these days without anyone noticing. Everyone in the northwestern portion of the state is too busy trying to keep track of Doyle Arthur Cannon. In May,

after getting word that his wife was leaving him for another man, Cannon fled in a dump truck from the minimum-security Oconee Law Enforcement Center near Salem, where he had been serving a 37-year sentence for killing a man in a knife fight. Since then, his narrow escapes from helicopters and police bloodhounds have become the stuff of folklore.

Local listeners are tuning in news programs for updates on Cannon's status,

and DOYLE WAS HERE T shirts have popped up for sale. WMYT, a Greenville radio station, has been broadcasting a tongue-in-cheek musical tribute to the famous fugitive ("What would y'all do if I broke outa jail?"). Police are not amused. "I don't understand the logic," says Hugh Munn, a spokesman for the South Carolina law enforcement division. "He's not Davy Crockett."



The unlikely hero: Doyle Arthur Cannon

### WASHINGTON

## Wealth by Stealth

The network newscasts were over and deadlines for early editions of the New York Times and Washington Post had passed. The public galleries in

the Senate chamber were deserted, and only a couple of reporters lingered in the press room. Surveying the emptiness last Wednesday night, Senator Robert Byrd of West Virginia decided conditions were ideal for the Senate to hand itself a whopping pay raise. As if by magic, 98 of the 100 Senators appeared out of the night to vote, 53 to 45, to raise their annual salaries from \$101,900 to \$125,100—an increase of nearly 23%.

Their sneakiness notwithstanding, the Senators had a strong case for a pay hike. For one thing, members of the House of Representatives are already paid \$125,100 yearly. More important, in exchange for the raise, Senators will no longer accept fees for speaking engagements. But the Senate, too fearful to make those arguments in the spotlight, tried to gain more wealth through stealth.

## SOVIET UNION

# Helping Him Find His Way

**Forced to settle for sacks of advice instead of money at the London parley, Gorbachev promises to apply those ideas at home**

By **BRUCE W. NELAN**

Ordinarily, diplomatic protocol prevents hosts from lecturing guests on how to manage their affairs at home. But the summit meeting in London last week was far from ordinary. The leaders of the world's seven biggest industrial democracies, the so-called G-7, did not mince words when Mikhail Gorbachev arrived to appeal for Western assistance.

George Bush and his colleagues told the Soviet President that his reforms had not gone nearly far enough, and he seemed to take their words to heart. Just before returning to face his critics in Moscow, he conceded to a British television interviewer, "We still have a lot to learn about living in a democratic framework." He agreed Western money alone could not rescue the Soviet Union. "We will have to do the work ourselves," he said. "But we need the help of the West to get the job done."

Like a guest invited for coffee but not for dinner, Gorbachev appeared ill at ease when he arrived for his postconference session with the Western leaders. His face was pale and rigid as he plodded wearily into Lancaster House, a 19th century mansion where the summiteers had met. During the four-hour meeting, Gorbachev and the Seven exchanged vague but optimistic pledges. The Soviet Union would continue its promised transition to a free-market democracy, and the West would help it along with good advice, technical assistance and, if all went well, possible economic aid in the future.

If that was a less bankable outcome than Gorbachev had hoped for, it was at least a proof of his international stature, which could give him comfort back in Moscow. He had been treated with great respect, and his seat at the table of the mighty was more than symbolic: the Soviet Union's links with the G-7 and such world financial institutions as the International

Monetary Fund and the recently created European Bank for Reconstruction and Development now seem permanent.

To crown his pilgrimage, Gorbachev struck a deal with George Bush on the last issue holding up the START treaty that will cut the number of strategic nuclear weapons on each side to 6,000. The Soviets now have 10,180, and the U.S. has 9,251. While the treaty does not slash the arsenals by as much as Washington originally hoped, it is the first such agreement that will actually reduce the stocks of existing weapons. The treaty will be signed during Bush's visit to Moscow at the end of this month.

The East-West encounter in London might have gone awry had there not been some final-hour course corrections. Moscow had startled the G-7 several weeks earlier when Gorbachev and some of his economic advisers began speculating about obtaining billions of dollars in aid from the West to support Soviet progress toward a market economy. When Western capitals quickly became noisily negative, the Kremlin backed off, saying Gorbachev would not be asking for any specific amounts of cash.

Then, the week before the summit, Gorbachev sent a 23-page letter to the leaders of the U.S., Britain, France, Germany, Italy, Japan and Canada, telling them the time had come for the "Soviet Union's organic incorporation into the world economy." He buttressed his letter with a 31-page document outlining areas of the Soviet economy in which the West was invited to invest. Even the German government, more eager than any of the others to offer Moscow solid support, agreed with Washington, Tokyo and London that Gorbachev's promises were too general. They focused on creating a "mixed economy" rather than a free market that could pull the U.S.S.R. out of its accelerating collapse.

Officials in the Soviet advance party were still talking in ominously demanding terms when they landed in London before



On their marks: Major gives Gorbachev directions

the summit. Gorbachev's personal envoy, Yevgeni Primakov, told British Prime Minister John Major that Moscow expected "grants, debt relief, investment." If they were not forthcoming, Primakov warned reporters, Gorbachev's position might be endangered and there would be "a risk of social uprising, of civil war." Deputy Prime Minister Vladimir Shcherbakov claimed that "there could be turmoil in the whole world."

The Western response to the letter and the dire predictions was still "no sale." Faced with the G-7 decision that no hard cash would be offered yet, the Soviets shifted gears. "It would be naive," spokesman Vitali Ignatenko assured reporters, "to say that we expect President Gorbachev to come away with black limos filled with money." Soviet Ambassador to Britain Leonid Zamyatin passed the word that Gorbachev was reworking his economic reform plan.

Gorbachev's two-hour presentation was "impassioned and eloquent," according to a British official, but was only "an expanded version of what we had been given on paper." Even so, both Bush and Major said



as Bush, left, and other leaders of the Group of Seven look for the alphabetized name tapes marking their places for the traditional picture

they had been convinced that Gorbachev's commitment to economic reform was now irrevocable. Bush pledged the G-7 would "try to help in every practical way."

**W**hat the Seven offered in their six-point response was practical measures, specifically aimed at solving the Soviet Union's problems rather than bailing the country out. The remedies include unprecedented special association with the IMF and the World Bank, which will provide the Soviets with access to expert advice on creating a convertible currency and a market-oriented economy but not access to money; loans are available only to full members.

The Seven said they would provide technical assistance in developing the Soviet transport network, legal and banking systems, energy resources and food production. They also offered to help convert Soviet military industries, which, according to some estimates, still account for about 20% of the gross national product, to civilian production. The G-7 chairman—Major until the end of the year, then German Chancellor Helmut Kohl—will visit the

U.S.S.R. "to keep in close touch" with the progress of reforms.

It was a sensible list of steps, but the Soviets were visibly disappointed. They are now fully aware of how skeptical the West remains about their reform plans. They are on notice that they cannot expect large-scale aid and investment until they translate their words into action. In a separate session, the Western finance ministers told Primakov that the Soviets would have to "earn" future aid by proving the reality of their economic transformation. Complained a senior Soviet diplomat: "It is humiliating. They talked like bankers."

Or perhaps like professors, since many of the Western leaders believe the Soviets, Gorbachev included, do not fully understand what they are trying to do. "Every time we see him, we're reminded how profoundly ignorant of basic economics Gorbachev is," says a senior White House official. "He studied Marx and Lenin, and he still has a lot of trouble with the idea of private property." Says a British expert: "He mistakes some adjustments, some tinkering, for economic reforms." The Western conclusion, however, is that Gor-

bachev deserves help and advice, not scorn.

Gorbachev must now decide how radical he is prepared to be in transforming his country's economy. Until he does so, he cannot expect the West to bankroll his efforts. He is still trying to have it both ways, an economy with both market forces and central control. In the coming months the G-7 countries will keep tabs on how reform is moving and consider whether they will be able to put some money where their advice is. The knowledge that the West is watching may help steel Gorbachev's own resolve to push for significant changes.

While the Soviet President did not return to Moscow with sacks of money, he achieved something perhaps equally dramatic. He dispersed the cloud of suspicion that had always shrouded Moscow's dealings with the Western democracies. By sitting down at the negotiating table with the leaders of the West and by seeking membership in the leading capitalist institutions, Gorbachev announced that the Soviet Union's ideological isolation from the rest of the civilized world is over.

—Reported by James Carney and William Mader/London and Dan Goodgame with Bush



IRAQ

## Déjà Vu All Over Again

**Saddam says he has ended his nuclear shell game, but the U.S. and its allies draw up a bombing plan just in case**

By **GEORGE J. CHURCH**

Once again, the United Nations Security Council has given Saddam Hussein a move-or-else deadline. Once again, George Bush has been lining up international support for military action and won pledges from Britain and France to join a bombing campaign.

So is it déjà vu all over again? Perhaps not: this time the deadline and the threats seem to be working. Saddam ignored the ultimatum to get out of Kuwait by Jan. 15, but he appears to be obeying the new demand to disclose by this Thursday, once and for all, how much of his nuclear bomb-making program remains and where the machinery and material are hidden. After carrying on a shell game with U.N. inspectors for months, the Iraqis last week suddenly began divulging them with information. They even dug up and displayed devices called calutrons that had been buried in the desert and led the U.N. team through a once secret uranium-enrichment plant in the northern Iraqi village of Al Sharqat.

Moreover, what the inspectors have found has eased fears that Iraq is close to developing a deliverable A-bomb. Saddam had two uranium-enrichment programs going that the U.S. and its allies never suspected, as well as a third that they did know about, and his success in hiding them points to a frightening intelligence failure. But U.N. inspectors believe that even in January all were pilot programs; large-scale production had not begun.

As it turns out, allied bombers destroyed much of the secret uranium-enrichment machinery—without quite realizing what they were doing. A production facility at Tarmiya was bombed partly because of suspicions that it also had some kind of connection with hush-hush research, but only in the past few weeks have U.N. inspectors discovered that the bombs wrecked calutrons that nobody had known were there. The U.N. team now thinks Iraq may have produced secretly no more than the 1 lb. of slightly enriched uranium that it has finally confessed to having.

Iraq has, in addition, 98 lbs. of weapons-grade uranium, produced before Israel destroyed Iraq's Osirak reactor in 1981,

but the existence of that uranium has long since been disclosed to the International Atomic Energy Agency and it is inspected regularly to determine that it is not being diverted into a weapons program. Since Baghdad is bound by the cease-fire resolu-



**A U.N.-supervised bulldozer crushes missile firing-control devices in Iraq**



tion to let the U.N. destroy all the enrichment machinery that has since been discovered, it cannot make much more soon. A State Department official agrees that Saddam's bomb-building program "is dead in the water."

So it seems increasingly unlikely that the bombers will attack Iraq again after the current deadline expires Thursday. But there will be trouble of other kinds. Saddam being Saddam, he can be expected to try to resume a secret bomb-building program as long as the faintest chance remains that he can get away with it. Given the failure of allied intelligence to learn about his calutrons and other dodges, how can the U.S. and friends be sure even now that he

does not have some other nuclear machinery hidden someplace? The only way to be certain, say British officials, would be to search literally every sizable building and cave in Iraq, and even then who would know what might be buried under the desert sand? Moreover, Iraq has not yet reported stocks of chemical weapons and missiles that the U.S. and Britain are sure it has and that are also supposed to be disclosed by the Thursday deadline and then destroyed. Nor has Iraq revealed anything about its previously active biological weapons program.

The outlook thus is for a long, exasperating struggle in which Saddam keeps playing cat and mouse and discloses only as much about his various secret programs as he must, at the last second, to avoid a new attack. The U.S. and allied strategy will be to keep pressing for ever-more-intrusive U.N. inspection and policing. Further, Washington and its friends realize they must not merely continue to threaten more bombing as a punishment for any further cease-fire violations, they must mean it. Plans already drawn, and leaked quietly to make sure

Saddam gets the message, indicate they are serious. According to British officials, U.S. planes from Saudi Arabia, Turkey and three aircraft carriers in the region, supplemented by British fighter-bombers flying from Cyprus, would blast about 25 targets with laser-guided bombs and missiles; ships might fire cruise missiles as well. They would hit not only all known and suspected nuclear sites (British officials say some suspected sites were not struck during the gulf war and view this as a big mistake) but also command-and-control centers, airfields and anti-aircraft installations.

Meanwhile, U.S. and allied intelligence services must try to explain and rectify a potentially disastrous failure. Even after the war, and after the U.N. inspectors had arrived in Iraq, the full dimensions of Saddam's bomb-building program were still unknown. They were discovered only by a stroke of luck: an Iraqi engineer defected to the West and disclosed what his colleagues had been up to.

Until then, it seems, Western intelligence services had made the mistake of assuming that Iraqis thought the way they themselves did. In any hunk of uranium dug out of the earth less than 1% will be the readily fissionable isotope, U-235; that must be upgraded to at least 80% in bomb material. Western scientists long ago settled on high-speed gas centrifuges to do the enrichment. Intelligence services

looked for centrifuges in countries that they suspected of trying to make nuclear weapons and found some in Iraq.

But Saddam's scientists also tried a chemical-separation process and the calutrons. The U.S. had employed calutrons to enrich uranium used in the Hiroshima bomb, but then abandoned the technology because it is very expensive and produces enriched uranium only slowly and in small quantities. For Saddam, however, calutrons had advantages. The technology had been declassified and was discussed freely in scientific journals. The imported components had legitimate industrial uses and

did not raise eyebrows in the West; better yet, Iraqi industry could produce most of the necessary components itself. Calutrons gulp enormous amounts of electricity, and the power lines to supply it should have been visible in satellite photographs. But since nobody in the West dreamed that Saddam would resurrect calutron technology, the interpreters of satellite pictures, if they saw such evidence, failed to understand what they were looking at.

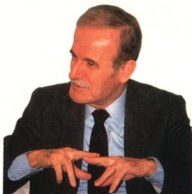
All of which raise a scary question: Might some other country even now be hiding a nuclear-weapons program? U.S. officials do not worry too much about

more countries using calutrons. They are so expensive and relatively inefficient as to be attractive only to a dictator like Saddam, desperate to get his hands on a bomb at any cost. Nonetheless, says a senior British diplomat, "what we must do now is provide controls for every conceivable method of making nukes." At minimum, there must be a far more extensive and intrusive inspection process than the Nuclear Non-Proliferation Treaty (which Iraq signed) now provides. Saddam wannabes may be rare, but one would be more than enough. —With reporting by William Mader/London and J.F.O. McAllister/Washington

## MIDDLE EAST

# Why Assad Saw the Light

Syria shrewdly says yes to Bush's peace plan, but Israel suspects a trick to shift the blame for future delays



### SHAMIR'S POSITION

- ▶ Rejects any U.N. role at a peace conference
- ▶ Insists, after the ceremonial opening of the full-fledged conference, on only direct talks between Israel and its Arab neighbors
- ▶ Refuses to concede any occupied lands, including the Golan Heights

### ASSAD'S POSITION

- ▶ Agrees to reducing the U.N.'s role from full participant to observer
- ▶ Agrees to direct talks with Israel but also says that the participants should be able to vote to reconvene the full-fledged conference periodically
- ▶ Says negotiations must be based on U.N. Resolutions 242 and 338, which embody the principle of exchanging land for peace

Syrian President Hafez Assad ordinarily is no one's idea of a cooperative statesman, not with his record as a bloodily repressive dictator. But Assad is shrewd enough to sense which way the winds of world power are blowing. So last week he accepted the American formula for a Middle East peace conference. That, in effect, made him the first Arab leader since Egypt's Anwar Sadat to agree to public, direct peace talks with Israel: that is what the conference is supposed to lead to, after a brief ceremonial opening.

None of which necessarily means that a conference will meet anytime soon. At least one of Assad's motives was to put the onus of blocking peace squarely upon Isra-

el, should Prime Minister Yitzhak Shamir's government balk at accepting the same terms. Shamir is alert to that danger, but he is far from avid for a peace conference.

So, as U.S. Secretary of State James Baker toured the region, the betting was that the Israeli leader would stall, if not turn Baker down flat. Defense Minister Moshe Arens predicted to the newspaper *Yediot Aharanot* that Baker would leave without any agreement that "will bring about the meeting he wants to organize." Even if Shamir accepted, right-wing parties would almost certainly leave his coalition and topple the government. New elections would then delay a peace conference further.

Even so, Assad's move underlines the extent to which once unfriendly countries are concluding that it is prudent to please the U.S., the world's sole remaining superpower. The Syrian President had long been a client of the Soviet Union and a leader of the rejectionist Arab states that opposed any dealing with Israel. But, American analysts believe, at the end of the gulf war Assad realized he had reached a turning point: he could become the unrivaled leader of Arab radicals—or he could bid for status among the moderates. Assad decided, as one American diplomat puts it, that "the future is with the U.S. and with the Cairo-Riyadh-Damascus axis"—and that only the U.S. could help Syria recover the Golan Heights from Israel.

In a letter to George Bush last week, Assad accepted two U.S. ideas: that the United Nations send only an observer to the peace conference (Syria had originally wanted the U.N. to play a major role) and that, after the conference had broken up into bilateral talks between Israel and individual Arab states, it reconvene only if the participants agree. Israel in effect could veto resumption of the full conference.

Shamir and his advisers, however, do not want U.N. participation in any form. They see the U.N. as being implacably anti-Israel. One official further scents a propaganda trap in the proposal to give Israel a veto over reconvening a multisided conference. The purpose, he fears, is to enable Syria and other states to put all the blame on Israel if the bilateral talks deadlock and Jerusalem does not let the full conference meet again.

The deeper problem is the government's fear that any kind of peace talks will turn into a gang-up by the U.S. and Arab nations to force Israel to give up the Golan Heights, the West Bank and Gaza. Shamir is determined not to yield a square inch. Thus the talk in Jerusalem is less about how to get talks started than how to fend them off. Currently, Israeli officials are longing for the U.S. presidential campaign to start in earnest. Once the campaign is in full swing, they reason, no candidate will risk putting pressure on Israel to yield to Arab demands.

—By George L. Church.  
Reported by Christopher Ogden with Baker and Robert Slater/Jerusalem



Soaking up ambience in Haworth, home of the writing Brontë sisters, in England's Lake District



Splashing around on a summer day in a fountain in Rome

#### TOURISM

## Elbow-to-Elbow at the Louvre

**Overcrowding, pollution and plain incivility have become unwelcome summer guests at Europe's most popular resorts, museums and hallowed sites**

By MARGUERITE JOHNSON

**C**ostantino Federico, the mayor of Capri, has had enough. The hordes of tourists who inundate the Mediterranean isle every summer will no longer be permitted to lounge around the famed piazzetta. Nor can they camp outdoors in sleeping bags, walk around in noisy wooden sandals or loiter bare-torsoed in public places. Farther north, on the island of Ponza, a favorite vacation spot for Romans, officials have banned automobiles until the end of August. The last straw, say residents, was the hundreds of cars that rolled off the ferries from the mainland every day last summer, choking the narrow roads and causing loathsome pollution and noise.

The prehistoric Lascaux caves in France's Dordogne region were closed in 1963 because the presence of tourists was destroying the 17,000-year-old paintings on their walls. Now Lascaux II, a replica built nearby in 1983 to give visitors a sense of the Cro-Magnon artwork, has become so overcrowded that entry is limited to 2,000 a day. The great Cathedral of Notre Dame in the heart of Paris has yet to take such extreme measures, but it may soon have to: more than 11.5 million people visited the church last year to admire its Gothic architecture and rose windows.

Such throngs not only create wear and tear on the cathedral floor but, with that many people simply breathing, even raise the humidity to damaging levels. "I've actually seen rivulets of condensation running down the stained-glass windows," says Christian Dupavillon, director of patrimony for the French Ministry of Culture. Even the tourist industry is alarmed. "We'll have to create a Notre Dame II similar to the replica they were forced to build at Lascaux?" asked the trade daily *Le Quotidien de Tourisme* in an editorial.

Britain's most hallowed sites are having similar problems. The dean of St. Paul's Cathedral in London announced that visitors will have to pay a \$3.25 entrance fee, after the church had to spend \$150,000 to repair its rare black-and-gold marble floor. The surface had been damaged by salt and grit tracked in by tourists wearing sneakers. And forget about stopping at Westminster Abbey, even on a Sunday morning, for a few quiet moments of prayer. "Now it's like Harrods three days before Christmas," says cultural historian John Julius Norwich. "Salisbury Cathedral is just as bad. The whole atmosphere is gone. You can't see anything, and people are talking in 20 different languages."

From the cobblestoned streets of Bath, where angry Britons turned hoses on tour

buses grinding through their neighborhoods last summer, to the sinking shores of Venice, where visitors on a summer Sunday often number 100,000, overcrowding, pollution and plain incivility have become unwelcome guests. Europeans in particular are realizing that tourism has got out of hand. This year alone more than 400 million people around the globe will travel abroad. By the year 2000, the number will be 650 million. And those figures do not include the millions who go sight-seeing in their own countries.

In times past, putting up with litter, noxious fumes and bad manners seemed an acceptable price to pay for the revenue tourism brought in and the jobs it created. A big business it is too. In Britain the tourist industry contributed \$39 billion to the economy last year. Italy took in \$21 billion. France, the world's second most favored destination after the U.S., collected \$17.7 billion from tourism, more than it earned from agriculture or arms. For poorer countries like Greece, tourism is the main source of foreign exchange, so a drop in the number of visitors, which is feared this year because of the Gulf war and the crisis in neighboring Yugoslavia, is economically painful.

But increasingly, ordinary citizens as well as public officials and cultural guard-





the grounds of the elegant Villa Borghese in Rome

ians are beginning to believe that the costs may outweigh the benefits. Jobs generated by tourism in hotels, restaurants and parks, while in demand among local people, are usually at the low end of the pay scale. The biggest beneficiaries of tourist spending are developers and owners, who often take their profits out of town and, if they are foreigners, out of the country as well. Even the tourist industry is starting to recognize that threatened treasures must be protected or business will not survive. As London's *Daily Telegraph* put it in an editorial,

"Unless tourism is brought under firmer discipline, it will destroy itself. We think we are within measurable distance of killing the goose which lays the golden eggs."

In point of fact, monuments and scenic spots all over Britain are under virtual siege, with 18 million visitors pouring in every year. In the Lake District the National Trust has spent more than \$2 million repairing erosion of public footpaths. Residents of Bath have trouble reaching their shops on summer Saturdays because of tourists descending on the town to see the Royal Crescent and the Roman baths. In North Devon 370,000 visitors a year overwhelm the picturesque harbor of Clovelly (pop. 400). Sometimes they even wander into private homes.

The story is much the same elsewhere in Europe. Alpine forests in Austria and Switzerland have been denuded to make way for ski runs and cable cars. For the Conservatoire du Littoral, the French agency charged with preserving the Mediterranean coastline, the grossly overdeveloped French Riviera is the sorriest example of tourism gone awry. Not only has the coastline been ravaged by urbanization and the sea severely polluted, but tourism was down 30% last year from 1989. Pollution and overcrowding also figured in a similar drop in tourist revenues in Spain.

Greece took steps years ago to halt further deterioration of its antiquities. Planes are barred from flying over Athens, and tourists are no longer permitted to walk into the Parthenon, Athena's exquisite temple atop the Acropolis. Still, with as many as 6,000 visitors a day clambering up the Acropolis, some parts of its rock have become so slippery and dangerous that officials have had to cover them with concrete. Marble treasures in the museum have been

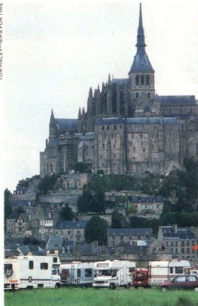
blackened by tourists' greasy hands. Officialdom can also be difficult: although buses have not been allowed on the Acropolis since the mid-1970s, it took until this year to persuade the mayor that it was just as bad to let them park at the foot of the hill, since many drivers leave their motors running to keep the air conditioning going.

Conservationists and local residents have managed to stop some developments. Last summer scores of people took to France's Gardon River in canoes to protest a government project that would have brought motorized trains, parking lots, a museum and even a shopping arcade close to the historic Pont du Gard, a 2,000-year-old Roman aqueduct near Remoulins. The Pont already draws more than 2 million visitors a year. Historians, environmentalists and locals also joined forces against a commercial project planned for Chambord, one of the most illustrious of the Loire Valley châteaux. The castle was scheduled to become the site of a "Renaissance" theme park, with two hotels, shops, an artificial lake and a tower with a revolving restaurant at the top.

The solutions, like the problems, are rarely simple. At Stonehenge, the English Heritage, a commission created to help preserve ancient monuments, is seeking to close a public highway to reduce pollution and enhance the site. But residents are up in arms because the closure will force them out of their way to shop. "There is a thing worth preserving as much as Stonehenge—and that is community life," says Amy Hall, a resident. "If we lived in the South American jungle, you'd be saying, 'Save the natives.' We're the natives here." The Rev. Robert Runcie, retired Archbishop of Canterbury, goes even further, charging that tourism "creates pollution, prostitution, economic exploitation and disregard for indigenous life-styles."

Something has indeed been lost. Only 10 years ago, travelers in Greece or Turkey would have been invited into peasant homes, offered an ouzo or a handful of ripe plums. Even in remote villages now, such hospitality—the essence of what travel to another culture is about—is pretty much a thing of the past. Says historian Norwich: "Tourism brutalizes. Self-respect gives way to servility, good manners to surliness, and hospitality to cupidity and suspicion." To try to educate tourists to be more sensitive travelers, the World Wildlife Fund has put out a series of booklets on ways to avoid abusing the environment.

For those who feel guilty about lying on a Mediterranean beach, there are other things to do. The British travel firm of Eco Holidays, for example, is offering a trip to assist in woodland preservation in Romania. But John Button, author of *The Green Guide to England*, may have the ultimate solution. The "truly aware," says he, will not go on holiday at all. —Reported by Anne Constable/London, Leonora Dodsworth/Rome and Victoria Foote-Greenwell/Paris



Trailers in front of France's Mont-St.-Michel



Sunbathing on the beach in southern Spain



## America Abroad

Strobe Talbott

## The Delicate Balancing Act

**G**eorge Bush is back in Washington for no more than a week before flying off again. He is, as so often seems the case, between summits. It is no secret that this most peripatetic of Presidents prefers diplomacy to what he sometimes calls the "domestic stuff."

Next time he has a quiet moment at 35,000 ft., he should put aside his briefing books long enough to sample a spate of recent articles and speeches that all say the same thing: Come home, America. Now that the Red Menace is history and the Emir of Kuwait is back on his throne, many of Bush's constituents would like him to do more to save their schools, hospitals, banks, jobs and pensions.

In a fire-breathing cover story in the July *Atlantic*, Alan Tonelson of the Economic Strategy Institute, a Washington think tank, denounces the "irrelevance of our recent foreign policy, and even its victories, to the concerns of most Americans." The U.S., he says, should junk the idea of "exercising something called leadership" and "insulate" itself from the disasters of the Third World. He would also have the U.S. abandon "overseas missions that, however appealing, bear only marginally on protecting and enriching the nation." The list of activities he believes so qualify includes "promoting peace, stability, democracy and development around the world" and "protecting human rights."

Tonelson's piece is an extreme example of a widespread sentiment. The American labor movement is in a protectionist mood. So are many members of Congress. Local officials, bedeviled by deficits and cutbacks, fulminate at the idea of U.S. aid to the former civil empire. At a recent meeting of the National League of Cities, Sidney Barthelme, the mayor of New Orleans, said, "The Federal Government needs to shift its priorities from continuing to assist and aid everybody outside America [while] ignoring the problems inside America."

Yet the message to Bush cannot be dismissed as neoisolationism. For one thing, in several cases the messengers have internationalist credentials as good as his own. In May, William Hyland, editor of *Foreign Affairs*, wrote a guest column for the *New York Times* calling on the U.S. to "start selectively disengaging" from overseas commitments, "a psychological turn inward" and a Marshall Plan "to put our house in order." Four weeks later, the *Times's* own James Reston argued that "the main threat to our nation's security [comes] from within" and urged Bush to build a "new American order." Meanwhile, Peter Peterson, chairman of both the Council on Foreign Relations and the Institute for International Economics, is advocating "the primacy of the domestic agenda."

Some version of this theme is sure to figure in the Democrats' presidential campaign next year. It's a safe bet their candidate won't echo John F. Kennedy's exhortation

to "pay any price, bear any burden." Instead, Thomas Jefferson's warning against entangling alliances is back in fashion. Reston endorses John Quincy Adams' injunction to go "not abroad in search of monsters to destroy," while Hyland offers his own version: "The enemy is not at the gate, but it may already be inside."

There's still a case to be made for post-cold war internationalism. Renewal at home and active involvement overseas are not an either-or proposition. Quite the contrary, they are interdependent. As Robert Hormats, a veteran economist and policymaker, puts it, "The crisis in our educational system undercuts our productivity, which weakens our competitiveness, which lowers our political standing, which reduces our ability to influence world events."

At the same time, to deal with their daunting domestic agenda, Americans need global stability and open markets. The U.S. exports about 13% of what it produces, 20% of its manufactured goods and 30% of its farm output. For that reason alone, "disengaging" or "insulating" the U.S. from the outside world is simply not an option—any more than is continuing to give short shrift to the "domestic stuff."

You don't have to be a believer in American decline like historian Paul Kennedy to worry about the state of the U.S. economy. Harvard's Joseph Nye, whose *Bound to Lead* (published this month in paperback by Basic Books) is the most forceful refutation of the declinist theory, argues that there are two kinds of power, hard and soft. Hard power—a country's ability to force its will on others—derives from the combination of military and economic clout. Soft power—a country's ability to lead because others want to follow—depends on the appeal of its culture, society and ideology. Over the years, America has exercised a unique combination of hard and soft power.

But, warns Nye, both could be in jeopardy.

"Our low savings rate and high deficit have diminished our hard power," he says. "By consuming too much and investing too little, we're risking our capacity to stay on the cutting edge of the third technological revolution, the one in information. In the '80s we went from being the biggest creditor nation to being the biggest debtor, and that has cost us a further degree of political influence. So has falling into second place behind Japan as a dispenser of foreign aid."

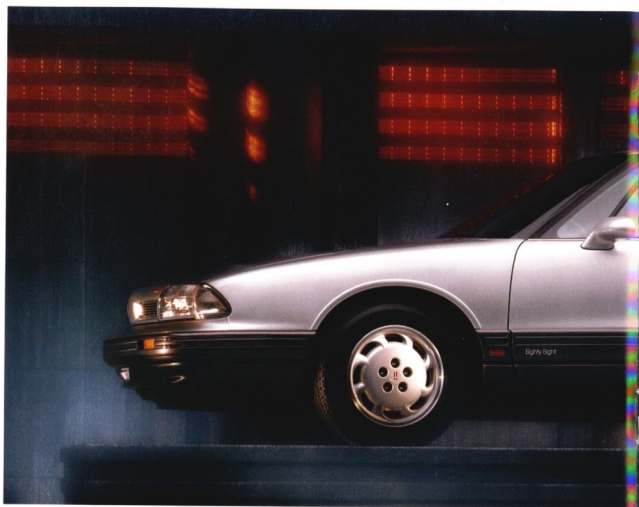
"As for soft power, we'll begin to see that erode too if our cities fall apart, if we no longer can offer our citizens upward mobility because our economy is stagnant, and if we shut our borders to immigrants. In short, a healthy economy is a precondition for a successful foreign policy."

The best example of what happens when a country fails to maintain its economic basis was on display at the Group of Seven summit last week. Only a few years ago, the West saw the U.S.S.R. as the menacing apotheosis of hard power. Yet Mikhail Gorbachev came to London as a supplicant because his country's armor-plated exterior for so long hid a rotten core.



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## WORLD NOTES

### PRISONERS

## Are They or Aren't They?

The black-and-white snapshot, its images shadowy and washed out, shows three men holding a cryptic, hand-lettered sign. Family members of three U.S. officers missing in action in the Vietnam War—Colonel John Robertson, Major Albro Lundy Jr. and Lieut. Larry Stevens—say they are "positive" those are the men in the photograph.

Pentagon analysts have been studying the picture since receiving it from "an intelligence source" 10 months ago but say they are still unable to authenticate it because the print is so poor. The FBI is trying to determine whether the picture was faked.

Most senior officials in Washington believe that none of the nearly 2,300 American MIAs still unaccounted for in Southeast Asia are alive. Officials are reluctant to say that publicly because it might make them seem unresponsive to the anguish of families still uncertain about the fate of their loved ones—and because they just might be wrong. An unreleased 1986 report by Lieut. General Eugene Tighe, former director of the Defense Intelligence Agency (DIA), con-



Robertson, Lundy and Stevens, according to their families



Stevens' mother, Robertson's wife and Lundy's wife with photos

cluded that some MIAs could be alive.

Hopes in this country are fed by reports of sightings of

Americans in Asian jungles, often from refugees or anti-communist guerrilla bands seeking money and publicity

from the U.S. The production of faked pictures, forged letters, dog tags, even bones has become a cottage industry in Laos, Cambodia and Thailand. Veterans' groups and families of missing servicemen have offered large rewards for information, but none of the thousands of reported sightings and pictures has ever turned up a surviving American prisoner.

This photo of the three men, one of several copies in circulation, was released last week by the American Defense Institute, based in Alexandria, Va. In 1987 the DIA listed the institute among several organizations that "concocted" sightings of Americans in Southeast Asia as part of their fund-raising efforts.

MIA families often take reported sightings seriously not only out of their desperate desire to believe but also because they do not accept the government's word as final. The Pentagon's bureaucratic bumbling, secretiveness and mixed signals have led some families to feel there is a conspiracy to conceal the truth. To try to dispel that fog, a Senate Foreign Relations subcommittee will soon investigate whether there is truth in any of the sightings reports and why the Pentagon seems so unresponsive.

### THE PHILIPPINES

## A Natural Solution

Mount Pinatubo, the volcano that covered much of Luzon with dust and ash last month, also proved a kind of mediator in the protracted bargaining over the future of U.S. bases there. The Philippine government had been demanding direct compensation of \$400 million annually for a seven-year lease extension on Clark Air Base and the huge U.S. Navy facilities at Subic Bay. Washington was offering \$360 million a year and wanted an eight- to 10-year lease.

Negotiations wound up quickly last week after Secretary of Defense Dick Cheney announced that the U.S. was no longer interested in Clark because it would cost too much to repair the damage done by the volcano. The next day Manila agreed to a 10-year extension of the American lease on Subic Bay for an annual payment of \$203 million, beginning in 1993.

Even so, that may not be the end of it. The deal must be approved by two-thirds of the Philippine Senate. Jovito Salonga, president of the Senate, opposes any extension and predicts that ratification of the pact "will be difficult."

### SOUTH AFRICA

## Campaigning Under Cover

The African National Congress has repeatedly accused Pretoria of working hand in glove with its bitter rival in black politics, the Inkatha Freedom Party, headed by Zulu chief Mangosuthu Buthelezi. President F.W. de Klerk always denied improper favoritism, but last week he was forced to admit that the government had given covert funds to Inkatha in 1989 and '90 to organize political rallies. A police spokesman said Buthe-

lezi got the aid because he opposed international sanctions against South Africa.

De Klerk came clean after the Johannesburg *Weekly Mail* exposed the secret \$90,000 subsidy in a front-page story based on official documents. The report also raised doubts about the government's denials that security forces aided Inkatha's armed attacks on A.N.C. supporters.

A.N.C. president Nelson Mandela once again demanded that De Klerk fire his ministers of Law and Order and Defense. The newspaper's disclosure, Mandela warned, could derail talks on a new constitution.

COVER STORY

# The Dirtiest Bank of All

**How B.C.C.I. and its "black network" became a financial supermarket for crooks and spies— and how the U.S. is trying to cover up its role**

By JONATHAN BEATY and S.C. GWYNNE  
NEW YORK

*"I could tell you what you want to know, but I must worry about my wife and family—they could be killed."*

—a former top B.C.C.I. officer

*"We better not talk about this over the phone. We've found some bugs in offices that haven't been put there by law enforcement."*

—a Manhattan investigator probing B.C.C.I.

**B**ank-fraud cases are usually dry, tedious affairs. Not this one. Nothing in the history of modern financial scandals rivals the unfolding saga of the Bank of Credit & Commerce International, the \$20 billion rogue empire that regulators in 62 countries shut down early this month in a stunning global sweep. Never has a single scandal involved so much money, so many nations or so many prominent people.

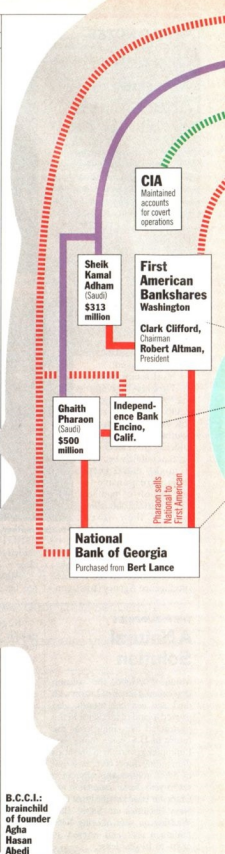
Superlatives are quickly exhausted: it is the largest corporate criminal enterprise ever, the biggest Ponzi scheme, the most pervasive money-laundering operation and financial supermarket ever created for the likes of Manuel Noriega, Ferdinand Marcos, Saddam Hussein and the Colombian drug barons. B.C.C.I. even accomplished a Stealth-like invasion of the U.S. banking industry by secretly buying First American Bankshares, a Washington-based holding company with offices stretching from Florida to New York, whose chairman is former U.S. Defense Secretary Clark Clifford.

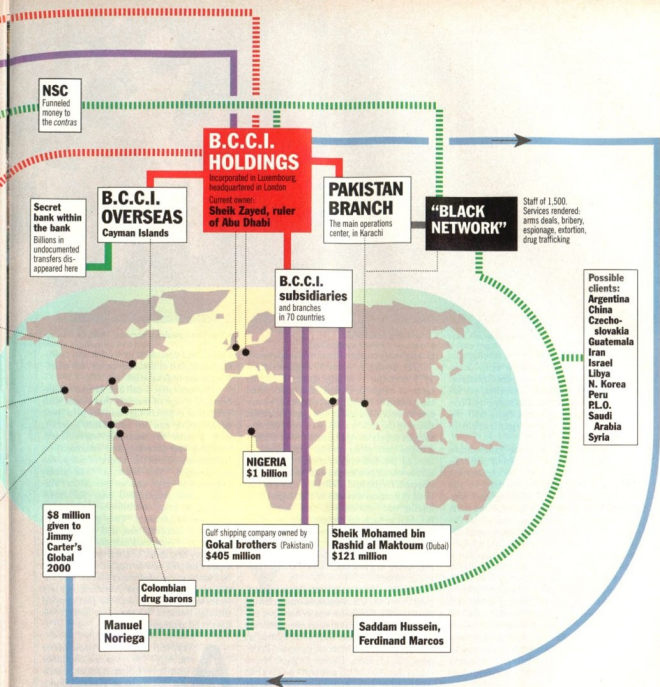
But B.C.C.I. is more than just a criminal bank. From interviews with sources close to B.C.C.I., TIME has pieced together a portrait of a clandestine division of the bank called the "black network," which

functions as a global intelligence operation and a Mafia-like enforcement squad. Operating primarily out of the bank's offices in Karachi, Pakistan, the 1,500-employee black network has used sophisticated spy equipment and techniques, along with bribery, extortion, kidnapping and even, by some accounts, murder. The black network—so named by its own members—stops at almost nothing to further the bank's aims the world over.

The more conventional departments of B.C.C.I. handled such services as laundering money for the drug trade and helping dictators loot their national treasuries. The black network, which is still functioning, operates a lucrative arms-trade business and transports drugs and gold. According to investigators and participants in those operations, it often works with Western and Middle Eastern intelligence agencies. The strange and still murky ties between B.C.C.I. and the intelligence agencies of several countries are so pervasive that even the White House has become entangled. As TIME reported earlier this month, the National Security Council used B.C.C.I. to funnel money for the Iran-*contra* deals, and the CIA maintained accounts in B.C.C.I. for covert operations. Moreover, investigators have told TIME that the Defense Intelligence Agency has maintained a slush-fund account with B.C.C.I., apparently to pay for clandestine activities.

But the CIA may have used B.C.C.I. as more than an undercover banker: U.S. agents collaborated with the black network in several operations, according to a B.C.C.I. black-network "officer" who is now a secret U.S. government witness. Sources have told investigators that B.C.C.I. worked closely with Israel's spy



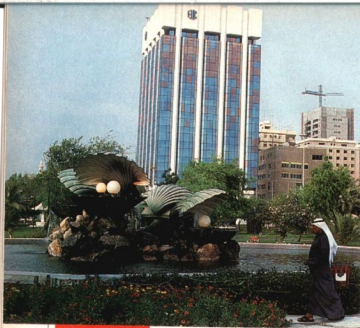


## THE CONNECTIONS

The bank's global web was designed to mystify. It consisted of dozens of shell companies, branches and subsidiaries in 70 countries. The structure allowed the bank to operate virtually without regulation all over the world. As a result, most of the missing money may be lost for good.

- OWNERSHIP ( ——— secret )
- CUSTOMER ( - - - - secret )
- DUBIOUS LOANS
- CHARITY DONATIONS





**ABU DHABI** A piece of Sheikh Zayed's crumbling enterprise

agencies and other Western intelligence groups as well, especially in arms deals. The bank also maintained cozy relationships with international terrorists, say investigators who discovered suspected terrorist accounts for Libya, Syria and the Palestine Liberation Organization in B.C.C.I.'s London offices.

The bank's intelligence connections and alleged bribery of public officials around the world point to an explanation for the most persistent mystery in the B.C.C.I. scandal: why banking and law-enforcement authorities allowed the bank to spin out of control for so long.

In the U.S. investigators now say openly that the Justice Department has not only reined in its own probe of the bank but is also part of a concerted campaign to derail any full investigation. Says Robert Morgenthau, the Manhattan district attorney, who first launched his investigations into B.C.C.I. two years ago: "We have had no cooperation from the Justice Department since we first asked for records in March 1990. In fact they are impeding our investigation, and Justice Department representatives are asking witnesses not to cooperate with us."

B.C.C.I. was started in 1972 with the putative mission of becoming the Muslim world's first banking powerhouse. Though it was incorporated in Luxembourg and headquartered in London, had more than 400 branches and subsidiaries around the world and was nominally owned by Arab shareholders from the gulf countries, B.C.C.I. was always a Pakistani bank, with its heart in Karachi. Agha Hasan Abedi, the bank's founder and leader until his ouster last year, is a Pakistani, as are most of the bank's former middle managers. And it was in Pakistan that the bank's most

prodigiously corrupt division was spawned.

The Soviet invasion of Afghanistan in 1979 and the resulting strategic importance of neighboring Pakistan accelerated the growth of B.C.C.I.'s geopolitical power and its unbridled use of the black network. Because the U.S. wanted to supply the *mujahedin* rebels in Afghanistan with Stinger missiles and other military hardware, it needed the full cooperation of Pakistan, across whose border the weapons would be shipped. By the mid-1980s, the CIA's Islamabad operation was one of the largest U.S. intelligence stations in the world. "If B.C.C.I. is such an embarrassment to the U.S. that forthright investigations are not being pursued, it has a lot to do with the blind eye the U.S. turned to the heroin trafficking in Pakistan," says a U.S. intelligence officer.

The black network was a natural outgrowth of B.C.C.I.'s dubious and criminal associations. The bank was in a unique position to operate an intelligence-gathering unit because it dealt with such figures as Noriega, Saddam, Marcos, Peruvian President Alan García, Daniel Ortega, *contra* leader Adolfo Calero and arms dealers like Adnan Khashoggi. Its original purpose was to pay bribes, intimidate authorities and quash investigations. But according to a former operative, sometime in the early 1980s the black network began running its own drugs, weapons and currency deals.

"I was recruited by the black network in the early 1980s," says an Arab-born employee who has ties to a ruling family in the Middle East and has told U.S. authorities of his role in running one of the black units. "They came to me while I was in school in the U.S.; they spoke my language, knew all of my friends and gave me money. They told me they wanted me to join the organi-



**KARACHI**

In Pakistan panicky account holders line up for

zation, and described its wealth and political power, but at first they never said exactly what the organization did."

This operative—call him Mustafa—underwent a year of training that began with education in psychology and the principles of leadership and proceeded into spy craft, with lessons in electronic surveillance, breaking and entering, and interrogation techniques. "Then the nature of our advisers changed," says Mustafa. "The pleasantness was gone, and we moved to Pakistan, where we trained with firearms." Mustafa's first operational assignment took him to London. "They gave us passports and identification, and we moved a shipment of [unidentified] goods. In England they had more I.D. waiting for us, because customs and immigration are strict, but when we moved many places, into India or China or Latin America, matters were taken care of, and we just slipped through borders. We would be met. It was always all arranged."

**A** typical operation took place in April 1989, when a container ship from Colombia docked during the night at Karachi, Pakistan. Black-unit operatives met the ship after paying \$100,000 in bribes to Pakistani customs officials. The band unloaded large wooden crates from several containers. "They were so heavy we had to use a crane rather than a forklift," says a participant. The crates were trucked to a "secure airport" and loaded aboard an unmarked 707 jet, where an American, believed by the black-unit members to be a CIA agent, supervised the frantic activity.

The plane then departed for Czechoslovakia, taking the place of a scheduled Pakistan International Airlines commercial



withdrawals at the troubled bank



## HONG KONG

Depositors were furious when told they might lose most of their funds

flight that was aborted at the last minute by prearrangement. The 707's radar transponder was altered to beep out the code of a commercial airliner, which enabled the plane to overfly several countries without arousing suspicion. "From Czechoslovakia the 707 flew to the U.S.," said the informant, insisting that none of the black-unit workers had any knowledge of what was in the heavy wooden crates. "It could have been gold. It could have been drugs. It could have been guns. We dealt in those commodities," Mustafa told U.S. authorities.

Other informants with details about the black network have come forward as the banking disaster has unfolded. "B.C.C.I. was a full-service bank," says an international arms dealer who frequently worked with the clandestine bank units. "They not only financed arms deals that one government or another wanted to keep secret, they shipped the goods in their own ships, insured them with their own agency and provided manpower and security. They worked with intelligence agencies from all the Western countries and did a lot of business with East bloc countries."

In Lima, where a probe of B.C.C.I.'s stewardship of Peru's central-bank funds is under way, local investigators are trying to trace what happened to money in an aborted B.C.C.I.-brokered deal to sell French-made Mirage jet fighters to the impoverished nation. Sources in the clandestine arms trade say B.C.C.I. eventually sold the planes to Pakistan and India.

U.S. intelligence agencies were well aware of such activities. "B.C.C.I. played an indispensable role in facilitating deals between Israel and some Middle Eastern countries," says a former State Department official. "And when you look at the Saudi support of the *contras*, ask yourself

who the middleman was: there was no government-to-government connection between the Saudis and Nicaragua."

As an equal-opportunity smuggler, the bank dealt in arms from many countries. "It was B.C.C.I. that financed and brokered [Chinese] Silkworm missiles that went to Saudi Arabia," the former official says, "and those were equipped with sophisticated Israeli guidance systems. When you couldn't use direct government transfers or national banks, B.C.C.I. was there to hot-wire the connections between Saudi Arabia, China and Israel." The bank also helped transfer North Korean Scud-B missiles to Syria, a B.C.C.I. source told TIME.

**Y**et the bank's arms business was benign compared with the black network's other missions. Sources say B.C.C.I. officials, known as protocol officers, were responsible for providing a smorgasbord of services for customers and national officials: paying bribes to politicians, supplying "young beauties from Lahore," moving drugs and expediting insider business deals.

When it came to recruiting and persuading, the black network usually got its way. "We would put money in the accounts of people we wanted to seduce to work for us," says Mustafa, "or we would use terror tactics," including kidnapping and blackmail. "The Pakistanis were easy to terrorize; perhaps we might send someone his brother's hand with the rings still on it." Adds Mustafa: "We were after business cooperation or military or industrial secrets that we would use or broker, and we targeted generals, businessmen and politicians. In America it was easy: money almost always worked, and we sought out politicians known to be corruptible."

The black network was the bank's deepest secret, but rumors of its activities filtered through the bank's managerial level with chilling effectiveness. Senior bankers voice fears that they will be financially ruined or physically maimed—even killed—if they are found talking about B.C.C.I.'s activities. High-level bank officers know what happened to a Karachi-based protocol officer whom the black network suspected of unreliability last year. "They found he had been trying to liquidate his assets and quietly sell his house," says Mustafa. "So, first they killed his brother, and then they sent brigands to rape his wife. He fled to the U.S., where he is hiding." U.S. investigators confirm the account but have little hope he will volunteer any secrets if he is located.

Businessmen who pursued shady deals with B.C.C.I. are just as frightened. "Look," says an arms dealer, "these people work hand in hand with the drug cartels; they can have anybody killed. I personally know one fellow who got crossed up with B.C.C.I., and he is a cripple now. A bunch of thugs beat him nearly to death, and he knows who ordered it and why. He's not about to talk." Currently the black units have focused their scrutiny and intimidation on investigators. "Our own people have been staked out or followed, and we suspect tapped telephones," says a New York law-enforcement officer.

The black unit's mission eventually became the pursuit of power and influence for its own sake, but its primary purpose was to foster a global looting operation that bilked depositors of billions of dollars. Price Waterhouse, the accounting firm whose audit triggered the worldwide seizure of B.C.C.I. assets earlier this month, says the disarray is so extreme that the firm

## Business

cannot even put together a coherent financial statement. But investigators believe \$10 billion or more is missing, fully half of B.C.C.I.'s worldwide assets.

How did it happen? B.C.C.I.'s corporate structure allowed the bank to operate virtually without regulation all over the world. The bank's organizational web consisted of dozens of shell companies, offshore banks, branches and subsidiaries in 70 countries. It was incomprehensible even to its own financial officers and auditors. The bank's extensive use of unregulated Cayman Islands accounts enabled it to hide almost anything. The bank's complex organization and unique method of accounting—longhand in paper ledgers, written in Pakistan's Urdu language—make it unlikely that most of the missing money will be traced. Nor is it likely that anyone will ever know just how much Abedi, who has incorporated a new bank, called the Progressive Bank, in Karachi, stole from the rest of the world.

B.C.C.I.'s downfall was inevitable because it was essentially a planetary Ponzi scheme, a rip-off technique pioneered by American filmflam man Charles Ponzi in 1920. B.C.C.I. gathered deposits, looted most of them, but kept enough new deposits flowing in so that there was always sufficient cash on hand to pay anyone who asked for his money. During the years of its most explosive growth in the late 1970s and mid-1980s, B.C.C.I. became a magnet for drug money, capital-flight money, tax-evading money and money from corrupt government officials. B.C.C.I. quickly gained a reputation as a bank that could move money anywhere and hide it without a trace. It was the bank that knew how to get around foreign-exchange rules and falsify letters of credit in support of smuggling. Among its alleged services:

► In Panama, according to a little-known racketeering suit that the country brought against B.C.C.I., the bank systematically helped Noriega loot the national treasury. B.C.C.I. allowed the leader to open secret offshore accounts under the names of the Panamanian National Guard, the Panamanian Defense Forces and the Panamanian Treasury, to transfer national funds into those accounts and then to tap the funds himself.

► In Iraq, B.C.C.I. became one of the principal conduits for money that Saddam Hussein skimmed from national oil revenues during the 1980s. According to investigator Jules Kroll, who is tracking Saddam's fortune, B.C.C.I. helped the dictator

move and hide money all over the world.

► In Guatemala the collapse of B.C.C.I. has triggered a government probe into a \$30 million loan that the bank extended to the country in 1988-89. Government officials told TIME they suspect that some of the money may have gone to pay bribes to stifle a four-year-old investigation of a major B.C.C.I. client, coffee smuggler and arms merchant Munther Bilbeisi. "If the \$30 million was given to corrupt public officials and that can be proved, then the loan should be wiped out or reduced," says

meant serving a core clientele of what investigators estimate to be some 3,500 corrupt business people around the world.

The more B.C.C.I. became a conduit for such money, the more deposit gathering became the bank's chief goal. At annual meetings, founder Abedi would harangue his employees for days on the importance of luring deposits. That was probably because billions of dollars were vanishing. At the highest levels, B.C.C.I. officials whisked deposits into secret accounts in the Cayman Islands. These accounts constituted a hidden bank within B.C.C.I., known only to founder Abedi and a few others. From those accounts, B.C.C.I. would lend massive amounts to curry favor with governments—as in its 1 billion loan to Nigeria—or to buy secret control of companies.

U.S. regulators discovered recently that such loans had enabled B.C.C.I. to buy clandestine control in three American banks: First American Bankshares in Washington, National Bank of Georgia (later purchased by First American) and Independence Bank of Encino, Calif. The latter two were bought officially by Abedi's front man, Ghaieth Pharaon, the putative Saudi tycoon who received an estimated \$500 million in B.C.C.I. loans in the 1970s and '80s. Those loans were secured only by shares of stock in the companies Pharaon purchased, which meant that they were never to be repaid.

What Abedi got in return for such loans was de facto ownership of three American banks, since he held their shares as collateral for the unrepayable loans. More important, this "nominee" shareholder arrangement meant that B.C.C.I. itself remained invisible to U.S. banking regulators. Following its discovery earlier this year that B.C.C.I. owned both First American and Independence Bank, the Federal Reserve ordered it to sell them off.

B.C.C.I.'s deposits also disappeared through the black network, which used the money to pay bribes and conduct its weapons and currency deals. According to a former officer, B.C.C.I. bought virtual control of customs officials in ports and air terminals around the world. In the U.S. millions of dollars flowed through B.C.C.I.'s Washington office, allegedly destined to pay off U.S. officials.

The bribes and intelligence connections may offer an explanation for the startling regulatory inaction. The Justice Department has hindered an investigation by Massachusetts Senator John Kerry, whose Subcommittee on Terrorism,



**FOUNDER**

Abedi, called "the Rasputin of the Middle East," started the bank in 1972



**OWNER**

Sheik Zayed, among the world's richest men, now owns the most crooked bank



**FRONT MAN**

As a cover for Abedi, tycoon Ghaieth Pharaon bought Bert Lance's Georgia bank



**IMPLICATED**

Washington power broker Clark Clifford is now under criminal investigation

Fernando Arévalo Reina of the Guatemalan Attorney General's office. (Bilbeisi has denied any wrongdoing.)

As B.C.C.I.'s influence grew, a corrupt core of middle management evolved, described by bank employees as "100 entrepreneurs," usually branch officers in foreign countries who were free to pursue their own agendas. One such was Amjad Awan, the B.C.C.I. officer who was convicted in Florida for the money-laundering services he provided for Noriega. As long as these remote managers kept on gathering deposits, they were given wide latitude to do as they pleased, which increasingly



Narcotics and International Operations was the first to probe B.C.C.I.'s illegal operations. According to Kerry, the Justice Department has refused to provide documents and has blocked a deposition by a key witness, citing interference with its own investigation of B.C.C.I. To date, however, the Justice Department investigation in Washington has issued only one subpoena. "We have had a lot of difficulty getting any answers at all out of Justice," says Kerry. "We've been shuffled back and forth so many times between bureaus, trying to find somebody who was accountable. These things are very serious. What's shocking is that more energy hasn't been expended. Somebody consciously or negligently took their eyes off the ball in this investigation." According to Jack Blum, Kerry's chief investigator in 1988-89, the lack of cooperation was so pervasive and so successful in frustrating his efforts to investigate B.C.C.I. that he now says he believes it was part of a deliberate strategy. Says Blum: "There's no question in my mind that it's a calculated effort inside the Federal Government to limit the investigation. The only issue is whether it's a result of high-level corruption or if it's designed to hide illegal government activities."

The Justice Department denies any reluctance to investigate. Said spokesman Dan Eramian: "We believe there has been good cooperation between law-enforcement [agencies] in this investigation. We're often accused of dragging our feet, and part of that we believe is partisan in nature." Yet the evidence of a cover-up is mounting:

► In one of the most mysterious events in the case, B.C.C.I. bank records from Panama City relating to Noriega "disappeared"

in transit to Washington while under guard by the Drug Enforcement Administration. After an internal investigation, the DEA said it had no idea what had happened to the documents.

► Lloyd's of London, which is enmeshed in a racketeering lawsuit against B.C.C.I., has fruitlessly made offers to provide evidence of bribery and kickbacks and has made "repeated pleas" to U.S. Attorneys in Miami and New Orleans to seize B.C.C.I. records. Lloyd's accuses B.C.C.I. of taking part in smuggling operations and falsifying shipping documents. The insurance underwriters offered the results of their voluminous research into the bank's illegal activities. The Justice Department attorneys ignored the offers, Lloyd's says.

► The U.S. Attorney General has assigned only a handful of FBI agents to its Washington grand jury investigation of B.C.C.I.'s relationship to First American Bankshares. The department's main probe of B.C.C.I. itself is being handled by a sole Assistant U.S. Attorney in Tampa, who has recently been assigned another major case. Similar understaffing is evident in a Miami grand jury probe of the relationship between B.C.C.I. and the CenTrust savings and loan, whose failure is estimated to cost taxpayers \$2 billion. This may help account for the fact that a 16-month investigation has yielded no indictments.

Just as perplexing is why the Bank of England and other authorities took so long to intervene. Britain's main financial regulator waited more than a year after seeing a Price Waterhouse audit that raised serious questions about B.C.C.I.'s viability before seizing its 25 branches in Britain. One explanation: the Bank of England was conducting extended negotiations with Abu

Dhabi authorities, apparently hoping that B.C.C.I.'s current owner, Sheikh Zayed bin Sultan al-Nahayan, would shore up the bank. But more suspicious experts raise questions about B.C.C.I.'s links to Western intelligence agencies. Leaders in Parliament have expressed outrage at the regulatory failure, which among other things has endangered deposits from as many as 45 municipalities and four utilities.

As authorities sift through B.C.C.I. subsidiaries around the world, they are trying to cope with potentially massive losses of depositors' money. The Pakistani press spoke of "panic withdrawals," and one paper added that "smugglers and drug barons" were desperately trying to rescue their offshore accounts. In such countries as Nigeria and Botswana, officials were worried that central-bank deposits at B.C.C.I. might be lost.

Still to be probed, with potentially explosive results, is B.C.C.I.'s Washington office. Sources have told Time that one of B.C.C.I.'s Washington representatives distributed millions of dollars in payoffs to U.S. officials during the past decade. If that is true, the banker's black book may be the single hottest source since Deep Throat in the Watergate investigation. U.S. authorities are searching for the Washington representative and other B.C.C.I. protocol officers, but most have fled to Pakistan. In this investigation, many roads lead to Karachi, where the infamous black network is enduring its most desperate hour. As it falters, the testimony by once fearful witnesses is likely to yield a succession of startling details about one of history's most ornate and ruthless frauds.

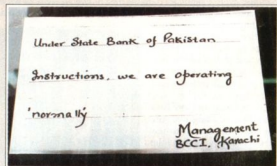
—With reporting by Cathy Booth/  
Miami, Jay Branagan/Hong Kong and Helen  
Gibson/London

## Scandal? What Scandal?

In the West, the most outrageous aspect of the crackdown on the Bank of Credit & Commerce International is that it was so long overdue. But most Pakistanis hold a very different view of the global banking empire founded by fellow countryman Agha Hasan Abedi.

At home he is revered as a courageous Third World entrepreneur whose bank has been hounded by racist Western financial interests. In Karachi last week, the English-language *Daily News* made the extraordinary claim that "Jewish pressure" led U.S. authorities to crack down on B.C.C.I.'s laundering of drug money. Said Rubab Khan, a Karachi business executive: "This is part of the Western plot to seize all the money and assets of the Arabs and drive out the Pakistani bankers from international banking."

Sinister theories also echoed in the Persian Gulf last week. At the Bahrain Marina Club, a Saudi computer operator explained, "It seems to many of us in the Muslim world that the bank is being attacked, at least in part, because of its Muslim ideals." Ideals? That view of B.C.C.I.'s criminal management may seem strange enough, but Muslims harbor even more elaborate conspiracy theories, linking B.C.C.I.'s problems with those of another onetime Muslim success story, Saddam



Pakistanis say the bank is the victim of anti-Muslim prejudice

Hussein. A senior executive with one of Bahrain's largest companies notes that the powers closing in on B.C.C.I. are "the same people who were involved in the coalition during the gulf war, mainly America, Britain and France." Many gulf residents believe, he says, that the Western coalition members are "not satisfied with now controlling the Middle East militarily. Through this action against B.C.C.I., the coalition is also seeking to control us financially and economically."



## CHANGING PLACES

Assets as of 3/31/91, in billions



Source: Keefe, Bruyette & Woods  
1001 Court

### MERGERS

## Banking On Bigness

### Chemical and Manny Hanny unwrap a megadeal

**A**mong bankers these days, big is beautiful. In the largest combination of two U.S. banks ever, Chemical Banking last week agreed to acquire New York City rival Manufacturers Hanover in a \$2.3 billion stock swap. The merger of the two huge but weak Goliaths, both burdened by hefty portfolios of ailing loans, will create a megabank with assets of \$137 billion, second in size among U.S. banks only to New York's Citicorp. Moreover, the deal is likely to prompt a new wave of mergers across the country as other big banks struggle to remain competitive.

But the merger will inflict sharp pain on employees and the troubled New York economy. Chemical and Manufacturers said they would eliminate \$650 million a year in costs through a series of deep cutbacks. The banks plan to pare 6,200 jobs, or nearly 15% of their combined work force, and shut 70 of their 436 branches in the New York City area. Manufacturers Hano-

ver, which financed construction of the Brooklyn Bridge, will see its name vanish into corporate history. Nonetheless, Manufacturers chairman John McGillicuddy, 60, will head the merged company until 1994, when Chemical chief Walter Shipley, 55, will succeed him.

While banking experts generally praised the deal, they cautioned that executives could find themselves balking at the drastic cuts that will be needed for substantial cost savings. And the banks' underachieving loans, which range from troubled real estate mortgages in New York City to unpaid Third World debt, will erode their profits for years to come. "I hope they didn't just put two boat anchors together," says John McCoy, chairman of Ohio-based Banc One, a regional firm that has been aggressively buying up local banks. "If they did, they'll just go down at the same speed together."

But the banks plan to rev up quickly. Among other things, they intend to raise \$1.25 billion by selling stock. If Congress approves interstate banking, the new Chemical could embark on a shopping spree for banks and savings and loans throughout the New York City region.

Yet the biggest impact of the merger could come from the pressure it exerts on other large banks. Just one day after the New York behemoths unveiled their agreement, C&S/Sovran, a regional firm based in Atlanta and Norfolk, Va., said it would press ahead in merger talks with North Carolina's NCNB to create the third largest U.S. banking company. In California experts said merger candidates include San Francisco's Wells Fargo and the ailing First Interstate and Security Pacific banks in Los Angeles. Any pairing among those would create a formidable new West Coast giant.

—By John Greenwald.

With reporting by William McWhirter/Detroit and Sylvester Monroe/Los Angeles



Shipley and McGillicuddy plan to rev up quickly

### CORPORATE FINANCE

## Time Warner: New Version

### Investors applaud a revised stock offer, the biggest ever

**I**n a determined drive to pare its debt, Time Warner last week launched a much anticipated plan to raise \$2.8 billion in the largest stock offering in U.S. history. The entertainment and information giant, the parent of TIME, granted stockholders securities called rights to buy 34.5 million new shares of Time Warner for \$80 a share. The deal, which gave stockholders 0.6 of a right for every common share they owned, replaced a hotly controversial proposal that would have priced the stock at anywhere from \$63 to \$105 a share, depending on how many stockholders participated. Time Warner scrapped that plan after shareholders and the Securities and Exchange Commission complained that the sliding price scale made it impossible for buyers to know how much they were paying until the offer was completed.

Investors gave the new plan a warmer reception. The price of the new rights climbed from 5½¢ each on Monday to 8½¢ at the end of the week. "Investors seem to be breathing a huge sigh of relief," said Christopher Dixon, an analyst for PaineWebber. "This is a significant improvement over the blind rights offering." concurred Cliff Hinkle, executive director of the Florida State Board of Administration, a pension-fund manager that holds 188,000 Time Warner shares and had joined a stockholder suit against the previous plan. "Before, you couldn't tell how much you were going to pay."

Time Warner shareholders must decide by Aug. 5, when the rights expire, whether to participate in the stock offer. But the company is virtually assured of selling all 34.5 million shares because such Wall Street firms as Salomon Brothers, Goldman, Sachs and Merrill Lynch, which are underwriting the offer, have agreed to purchase any unsold stock. "This deal is done," says John Reidy, an analyst for Smith Barney. "It's over."

For Time Warner, the offer marks the latest move to pursue the vision of global expansion that executives saw when Time Inc. acquired Warner Communications in 1989. Since then, the company has sought joint ventures with other major firms, both for strategic reasons and to gain a cash infusion. But the \$11 billion in debt that Time Warner assumed in the merger left the company in a weakened position to negotiate such deals. With qualms about the stock offer now laid to rest and the debt due to shrink 25%, the grand alliances may finally be within reach.

## BUSINESS NOTES

### ENTERTAINMENT

## Revenge of The '60s

Which rock 'n' rollers ranked as the most successful road group in the U.S. during the first half of this year, grossing more than \$22 million in concert receipts? Guns N' Roses? No. New Kids on the Block? Not even close. According to *Pollstar*, an industry magazine, it was that indelibly truckin' '60s band the Grateful Dead. "They have consistently been one of the top five touring acts for the last five



Rival rockers cry: Bring us the ticket sales of Jerry Garcia!

years," says editor Gary Bongiovanni. During the first half of 1991 the Dead, whose oldest members will soon be eligible for senior-citizen discounts, claimed six out of 10 of the top-grossing gigs in the U.S.

Helping the band amass those electrifying stats is a remarkably loyal core of "Deadhead" fans. But the competition was hurt by something less remarkable: the recession. Concert business is off 25% compared with last year's first half. Some managers are reluctant to send their artists on tour in such an inhospitable climate.

### LABOR

## Maternity Suit

Employers beware: discrimination against pregnant workers can be costly. AT&T agreed last week to pay \$66 million in the largest settlement ever of a lawsuit brought by the Equal Employment Opportunity Commission. The money will compensate 13,000 current and former AT&T employees for job discrimination against preg-

nant women from 1965 to 1978. The company forced the women to take unpaid maternity leaves, awarded those employees less seniority than others on disability and gave them no guarantee that they could return to their jobs or equivalent positions. "A suit of this magnitude will have tremendous ripple effects," predicts Patricia Ireland, executive vice president of the National Organization for Women. "Every CEO who reads these headlines will pay attention."

### LEVIES

## Tax Whacks Snack Packs

Cupcakes are, but doughnuts aren't. Ritz crackers are, but saltines aren't. Granola bars are, but granola cereal isn't. Confused? So are shoppers in California, where the state government last week extended its sales tax to candy and "snack foods." But the exemption for food products remains, forcing beleaguered bureaucrats into an exercise in semantics: What is a "food," and what is a "snack"? The extra \$200 million may help balance the books, but it has nearly unbalanced grocers as they try to price chocolate chips (a tax-exempt baking product) vs.

chocolate kisses (candy, which is taxed), or a freshly bagged slice of pie (tax free) as opposed to a similarly sized prepackaged



Food fight: California tries a chip charge

pie (taxable). While conservative talk-show hosts ridicule the new laws as regulation run amok, liberal critics bluster them as unfair: a worker's pretzel is subject to the tax, but a CEO's caviar is not.

### POSTAGE

## A Costlier Christmas?

The U.S. Postal Service will soon be offering some priceless stamps. Literally. In June it began producing its latest line of Christmas stamps in the midst of a continuing rate war with its overseer, the Postal Rate Commission. The Postal Service is dissatisfied with the current 29¢ price of a first-class stamp, which the Rate Commission approved in January in defiance of a long-standing request for

a 30¢ stamp. The extra penny would bring in \$850 million a year for the Postal Service, which is as hard hit by the recession as any business. The Postal Service has one last chance to push the price up a penny, but it could hardly afford to be the Christmas stamp Grinch. So the two seasonal stamps—one bearing a madonna, the other a secular winter motif—will simply read 1991 and sell for whatever price is in effect by then.



Customers exiting fallen Mutual

### INSURANCE

## The Crisis This Time

As Americans followed the S&L debacle, another crisis was quietly brewing in the insurance industry. That silence ended with a bang last week when the state of New Jersey seized the collapsing Mutual Benefit Life

(assets: \$13.8 billion) in the largest such takeover in U.S. history. Regulators took action as panicky policyholders rushed to cash in their policies out of fear that worsening problems in the Newark-based firm's real estate portfolio could put their money at risk. The insurer, which has issued some 600,000 life insurance policies in the U.S., will continue to pay death benefits and other claims while the state seeks to reorganize the company.

As regulators took over Mutual Benefit, France's Groupe Axa S.A. agreed to invest \$1 billion in Equitable Life, the third largest U.S. life insurer. The deal will give Axa at least a 40% stake in the company. Equitable, plagued by troubled real estate and junk-bond investments, had been seeking a partner to strengthen its finances. The company plans to make an initial stock offering once the Axa deal is completed.

# Should You Worry About Getting AIDS From Your Dentist?

Probably not, but the government is moving to protect patients and restore their trust in the medical community. Even so, it pays to be prudent.

By CHRISTINE GORMAN

**M**ary Lynne Desmond thought she had found the perfect dentist. Philip Feldman, a graduate of the School of Dental Medicine at the University of Pittsburgh, had an engaging manner and seemed meticulous. Soon Desmond, a fourth-grade teacher who lives in Coram, N.Y., and her two children, husband, sister and brother-in-law all became Feldman's patients. "But in the last five or six years, he changed," Desmond recalls. "He did three shoddy root canals on me and even left a drill bit in one tooth." Now she has a lot more than a few botched operations to worry about. Last week state health authorities confirmed that they are trying to determine whether Feldman, 45, who died of pneumonia in June, had unwittingly infected any patients with the AIDS virus.

Chances are that Desmond will not test positive. In the past decade, out of the nearly 200,000 people who have developed AIDS in the U.S., only five are known to have been infected by a health-care worker. And epidemiologists quickly point out that all five cases can be traced to the same Florida dentist, David Acer. But the fact remains that it did happen, despite the odds and with devastating results. Already one of Acer's patients, Kimberly Bergalis, is near death; her plight and her understandable fury have moved millions to feel insecure when they go for teeth cleaning or an annual physical exam. Nearly 6,800 health-care workers in the U.S. are known to have AIDS—including 170 dentists and dental hygienists, 730 physicians and more than 1,450 nurses. Should they tell patients? Should they get out of medicine altogether?

In response to public concern, the Centers for Disease Control in Atlanta last week restated the strict standards of infection control that it began



In the next two weeks, Mary Lynne Desmond will learn whether her former dentist, Philip Feldman, inset, passed the AIDS virus to her

developing in 1982 and that it believes should eliminate any opportunity for doctor-to-patient transmission. But for the first time, the federal agency also urged dentists, doctors and nurses who perform invasive procedures such as surgery to get tested for HIV, the AIDS virus. If they are HIV-positive, said the CDC, they should stop doing operations unless they reveal

their condition to patients.

Soon after that policy was announced, the U.S. Senate moved aggressively beyond the CDC and passed two measures to make the agency's recommendations, including disclosure, mandatory. Under one proposal, sponsored by Senator Jesse Helms of North Carolina, physicians could receive prison terms of 10 years and fines of up to \$10,000 if they refused to reveal their HIV infection before an operation—whether or not they passed on the virus to their patients. The second bill, backed by Senators Robert Dole of Kansas and Orrin Hatch of Utah, threatens any state that does not implement the CDC guidelines over the next year with loss of its federal public-health funding. Congressional leaders expect the Dole-Hatch proposal to attract greater support from the House of Representatives.

Not content to wait for federal action, the Illinois legislature overwhelmingly passed a new law last week that would authorize the state's health department to



Confined to her Florida home, Bergalis waits for death

DANIEL L. WILSON—AP/WIDE



notify patients when their medical-care providers are diagnosed with AIDS. The bill was prompted by the revelation that the only dentist in the town of Nokomis, Ill. (pop. 2,700), died of AIDS last October; his patients were not notified until early this month, after a state legislator threatened to make the circumstances of the dentist's death public.

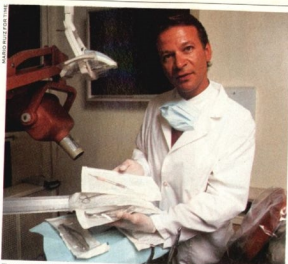
Is the rush to legislate a case of hysterical overreaction? Nothing has happened to make researchers change their minds on how the AIDS virus is spread. Almost all infections occur in the expected ways: people share contaminated needles or have unprotected sex with an HIV-positive partner. "The risk of getting AIDS from your doctor is lower than the risk of dying in a car crash on the way to the hospital," says Dr. James Mason, Assistant Secretary for Health at the Department of Health and Human Services.

In fact, medical workers are more vulnerable to being infected by patients than vice versa. The CDC has documented 40 such cases—most of them involving accidents with hypodermic needles that contained contaminated blood. "Because there is mass hysteria, and because this is a fatal disease, and because people don't know very much about this, people's common-sense reaction, including Senators', is to act first and think later," says Geri Palast, a lobbyist for the Service Employees International Union, which represents 350,000 health-care workers.

The evidence strongly suggests that good sterilization procedures will prevent doctors from endangering patients. Last year, after one of the surgeons at Johns Hopkins Hospital died of AIDS, officials at the medical center in Baltimore informed 1,800 people on whom he had operated that they may have been exposed to the virus. So far, none of them have tested positive, and all the lawsuits filed against his estate have been dismissed. Delaware health officials have offered free HIV tests to more than 1,200 patients of a Wilmington dentist who died of AIDS in March. Of the 600 who have taken the state up on its offer, none have tested positive.

The guiding principle of standard infection control is to act as if everyone and everything is infected with something—whether it be *Staphylococcus* bacteria, tetanus toxins or the AIDS virus. That is why instruments should be sterilized in an autoclave, physicians should change gloves or wash hands between patients, and disposable swabs, syringes and other items should not be reused. Although the CDC's disease detectives are still not sure what went wrong in Acer's office, they are zeroing in on just such a breach in infection control.

The danger is not from the doctor but



Rosenberg displays the sterile equipment of a careful dentist

from slipshod practices, says Jack Rosenberg, a Manhattan dentist and founder of a gay and lesbian dental guild. "Asking your dentist whether or not he is going to protect you," Rosenberg says. "Instead, you should ask, 'Do you sterilize your instruments? Do you follow standard infection control?' Those are the questions that will protect you." Rosenberg caused a ruckus last week when he publicly declared that he knew several dentists who are HIV-positive and that he advises them not to tell their patients.

Knowing the HIV status of a surgeon or dentist should not necessarily reassure a patient. "These are people who are exposed to patients every day," says Dr. Michael Callahan, chairman of an AIDS task force for the American College of Emergency Physicians. Yet it can take a person six months after infection to make enough antibodies against HIV to test positive. Says Callahan: "If I got tested yesterday and was negative, I might get exposed to HIV tomorrow." In addition, the danger of bad sterilization practices is that the virus passes from one patient to the next, rather than from the doctor.

Instead of becoming enemies, doctors and patients need to communicate better about the risk and fear of AIDS. Dr. Nancy Dickey, a Richmond, Texas, family practitioner and a trustee of the American Medical Association, says patients should not hesitate to voice concern if, for example, they see blood on their doctor's hands, even if the physician says, "Don't worry about it." They also have a right to ask exactly how each piece of equipment has been sterilized. As the AIDS epidemic enters its second decade, professionals and private citizens alike should choose a path of reasoned caution, rather than dismissive bravado or irrational hysteria.

—With reporting by Barbara Dolan/Chicago and Anne E. West/Washington

## A Counterfeit Treatment



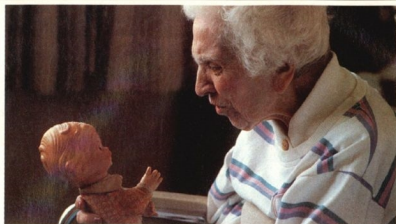
Roche's DDC tablet, top, and two knockoffs

The drug DDC is one of the few hopes on the dark horizon of an AIDS patient. Recent studies, including one reported at last month's International Conference on AIDS in Florence, have shown that DDC, formally known as dideoxycytidine, can reduce the activity of the AIDS virus, especially in combination with the medication AZT. Although Hoffman-La Roche has made the drug available to 4,000 participants in a research program, many people remain ineligible because they are on other anti-AIDS drugs or do not yet have symptoms of the disease. But the major obstacle is that the drug has yet to be approved by the Food and Drug Administration.

Late last week, however, the FDA bucked its own bureaucratic tradition when one of its advisory committees recommended that a similar drug made by Bristol-Myers Squibb, called DDI, or dideoxyinosine, be put on the market even though it has not undergone the agency's standard testing. While the decision heartened many AIDS organizations, some desperate patients have resorted to an immediate alternative: black-market DDC. Underground AIDS groups are buying the drug in bulk directly from chemical companies, which manufacture it for use in laboratory experiments. The clandestine suppliers then weigh out and package the counterfeit pills and sell them at cost in what experts say is the first large-scale pirating of a drug developed by a major firm.

AIDS patients feel that their bleak situation justifies the illegal trade. Hoffman-La Roche contends that the counterfeit pills may contain dangerous contaminants or that they may be formulated in incorrect, and possibly toxic, doses. But fear of the disease far outweighs any fear of the drug.





A patient: no treatment has been proved to stop the disease's progress

## Medicine

# Still No Relief from Alzheimer's

**Despite public pressure, the FDA will not approve a touted drug until there is more evidence that it really works**

Woodrow Wirsig shudders to recall his wife Jane's gradual 10-year decline from Alzheimer's disease. At the low point, she was mute and immobile. But then in 1987, as part of an experimental program, she was put on the drug tacrine. "Within weeks," says Wirsig, of Palm City, Fla., "she could walk and talk and recognize me from 90 ft." Such stories have given tacrine a reputation as a Lazarus drug, the one medication that could recall to life loved ones who are losing control of their minds and bodies.

But access to the experimental drug is strictly limited, and for years desperate families have been pressing the Food and Drug Administration to make it widely available. Last week an FDA advisory panel issued a strong rebuff. After reviewing all the clinical studies, the panel agreed 8-0 that tacrine "did not show a clinically meaningful benefit." Moreover, the danger of its causing liver damage is significant, the group said.

The tacrine controversy underscores one of the most vexing of medical issues: should the regulatory process be eased for drugs aimed at deadly diseases that do not respond to any other treatment? Vigorous lobbying by AIDS activists has led the FDA to expedite release of two drugs that appear to alleviate symptoms of that fatal infection. Inspired by that example, families of Alzheimer's patients have been demanding similar treatment.

The clamor for tacrine, also known as THA (for tetrahydroaminoacridine), started in 1986 when the *New England Journal of Medicine* reported a study in which 16 of 17 patients given the drug had shown

marked improvement. The results seemed miraculous, but they made scientific sense: the brains of Alzheimer's victims have abnormally low levels of acetylcholine, a chemical that carries impulses from one nerve to another. Tacrine inhibits production of an enzyme that breaks down the chemical messenger, thus presumably making more acetylcholine available.

According to Warner-Lambert, which has U.S. marketing rights to the drug, a National Institute on Aging study of 200 patients at 16 hospitals found that among those receiving tacrine, more than 40% showed some improvement in performing mental or physical tasks. Based on this and other data, the company asked the FDA last March for approval to market tacrine as the first drug treatment for Alzheimer's.

After that request was rejected by the FDA's advisory panel, the agency suggested that Warner-Lambert apply for more limited marketing, the strategy used to release the AIDS drugs. Under the plan reviewed last week, up to 50,000 patients would have been given the drug under close scrutiny. But the advisory panel's vote on lack of efficacy made the plan moot for now. "There was concern that a very bad precedent could be set if the scientific standards were lowered," says Steven Ferris, a neurobiologist at New York University Medical Center, who chaired the committee. The group has recommended another study of tacrine's effectiveness. In the meantime, the FDA is hewing to the line that, as with any drug, benefits must clearly outweigh risks.

—By Anastasia Touxelis  
With reporting by Ginia Bellafante/New York and Dick Thompson/Washington

## Milestones

**Hired.** Neil Bush, 36, President Bush's son, who was reprimanded by federal regulators last April for his misconduct as a director of now bankrupt Silverado Banking, Savings & Loan; as a consultant with TransMedia Communications; in Houston. Bush will look for sports opportunities for the television consulting firm.

**Expecting.** Annette Bening, 33, actress nominated for an Oscar for her tantalizing turn in *The Grifters*; and Warren Beatty, 54, veteran Lothario, actor and director (*Reds*, *Dick Tracy*). The baby, the first for both, is due early next year. Beatty and Bening will appear in a just completed film about gangster Bugsy Siegel.

**Died.** Frank Rizzo, 70, tough-talking ex-cop and former two-term mayor of Philadelphia; of a heart attack while campaigning for a third term at city hall; in Philadelphia. A policeman's son, Rizzo joined the force in 1943 and won notoriety for leading vice raids on strip joints and coffeehouses in the '50s. He was promoted to police commissioner in 1967 and took credit for keeping Philadelphia free of the riots that rocked Detroit, Newark and other cities by using tough tactical units to patrol black neighborhoods. Elected mayor as a Democrat in 1971 and '75, Rizzo delighted reporters with bombastic bon mots. "I'm going to make Attila the Hun look like a faggot after this election's over," he once vowed. After losing to Wilson Goode in the 1983 primary, Rizzo switched to the Republican Party in 1987 and lost the general election. Rizzo began another comeback last May when he again won the Republican nomination for mayor.

**Died.** Harold Perry, 74, the first African American consecrated as a Roman Catholic bishop in the 20th century; of complications of Alzheimer's disease; in Marrero, La. After holding pastoral and administrative posts in the Deep South, he was named auxiliary bishop of New Orleans in 1965.

**Died.** Robert Motherwell, 76, founding member of the Abstract Expressionist school of American painting; of a stroke; in Provincetown, Mass. Motherwell was one of the few Abstract Expressionists who wrote lucidly about painting, which he once described as "a state of anxiety that is obliquely recorded in the inner tensions of the finished canvas." He was especially renowned for the series he painted from 1949 to 1976 known as *Elegies to the Spanish Republic*, a sequence of funeral images that evoke prison bars and bullfighters' hats. Auditing Motherwell's collages, TIME art critic Robert Hughes said he was "the only artist since Matisse in the '50s to alter significantly the syntax of this quintessentially modernist medium."

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Learning in Pasadena, Calif.: close to 60% of U.S. mothers with children under age six are on the job, and child care has grown up fast

## Education

# Good Things, Small Packages

**In a time of gloom and doom about U.S. schools, early-childhood education is something different, a cauldron of fresh and innovative approaches**

By STEFAN KANFER

*Some of the best education in America goes on below the adult eye level.*

—Philip Coltoff, executive director, the Children's Aid Society

**C**oltoff's observation is being echoed in every region of the country. Allan Bloom decried *The Closing of the American Mind* in his 1987 best seller, referring largely to college students. But in the two-to-six age group, American minds are rapidly dilating. So is the interest in early-childhood education—ECE to the trade. "This is a wonderful time to be in the field," says Sara Wilford, director of the Early Childhood Center at Sarah Lawrence College in Bronxville, N.Y. "Interest in ECE has never been more intense."

The moment small children step into their first classroom, they enter a new world of learning. Early childhood educa-

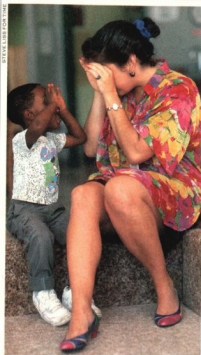
tion has become a cauldron of fresh and innovative approaches, a place where research is applied with dramatic effect. The days of too much control, overstructured hours and too many "punish mechanisms"—difficult children forced to take naps—are going. The old "teacher-directed" activities are also on their way out. So are elements of rote learning: reciting the alphabet and learning the early stages of reading through memorization.

Building on research that proves children learn more rapidly, and with more sophistication than authorities thought, educators increasingly use tools like one-on-one conversation and drama. Interaction and imagination are settling in. Preschools are bright and inviting; so are the teachers and staffs. They have to be. Close to 60% of U.S. mothers with children under age six are out of the house and on the job. Child care has had to grow up fast.

Although the content and curriculum

are as varied as the settings, most ECE centers adhere to guidelines set down in 1986 and revised last year by the National Association for the Education of Young Children. The 60-year-old association is early-childhood's powerful lobby and accrediting body; its membership has doubled in the past decade and now numbers 77,000 professionals. Today it examines teachers and administrators, demands that early-childhood programs meet criteria of health and safety and continually reviews facilities to make sure its standards are being met. When the association outlines the future it wants, it often points to the Perry Preschool Project in Ypsilanti, Mich. Back in 1962, this project selected 123 children ages three and four to take part in an experimental program. All came from families at the poverty level. Half the group was given two years of preschool instruction, 2½ hours a day, five days a week for 30 weeks. The aims were increased self-

## WHAT TO LOOK FOR IN A CHILDHOOD CENTER



**WARNING SIGN** Too many tantrums

■ Do the kids like the teachers? Do the teachers like the children?

**WARNING SIGN** Cramped quarters

■ If you were a child, would you look forward to coming here every day?

**WARNING SIGN** Teachers who can't articulate school aims

■ Does the school have a written statement of its educational philosophy?

**WARNING SIGN** Sweeping personnel changes

■ Is the staff happy? Look for schools where teachers have been working for at least three years.

**WARNING SIGN** Assurances that overcrowded classrooms are "temporary"

■ What is the pupil-teacher ratio? 12:1 is about the limit, 8:1 is ideal.

**WARNING SIGN** Too many kids spending "quiet time" in the corner

■ How does the school handle problems? A good school will work to redirect a misbehaving child.

esteem, socialization and curiosity. Formal learning was not a high priority. The "control" half was given no preschooling. After the preschooling program ended, the kids were tracked through the rest of their school careers to adulthood.

The results, published in 1984, seemed to validate the Head Start program, launched in 1965 as part of the Johnson Administration's War on Poverty. Often located in public school facilities, Head Start provided quality early-childhood education for disadvantaged children. But would it bring any long-lasting benefits?

The Perry Project offered a solid yes in reply. Its preschool group enjoyed a 15 point rise in IQ rating per student after one year. Only 15% of the preschoolers required special education in later years; 35% of the control group needed aid. Of the preschoolers, 67% graduated from high school, vs. 50% of the control group. By age 19, only 31% of the preschoolers had been arrested for some crime, vs. 51% of the others.

The implications for society are as plain as chalk marks on a blackboard: the relatively high cost of the original program—\$5,000 a year for each preschooler—was actually a bargain. The results at Ypsilanti are echoing louder across the country, not only in facilities for the underprivileged but also in preschools everywhere. Twenty-seven states now fund prekindergarten facilities—a huge jump from only seven in 1979. And the early-childhood boom goes on unabated. Some 1,700 nationally ac-

credited public programs operate in the U.S.; an additional 4,300 are actively seeking accreditation.

The private sector is even more active. About 5,600 firms provide some kind of day care, and a small but growing group offers on-site or near-site ECE centers. The Lotus Child Center, situated at the company's Cambridge, Mass., headquarters, is an impressive example. The software giant employs 2,000 people, and 60 of their children are currently enrolled. Costs vary according to income. Some parents pay the going rate for private preschools, while other employees are subsidized and pay as little as \$20 a week. "In the future," says program director Mary Eisenberg, "we're going to see a lot more of these centers, as companies calculate the gains for two generations: the employees and their kids."

**W**hether children are at their parents' workplace or in the basement of a public school or in an idyllic country setting, the approach to learning is undergoing a mini-revolution. Today imagination and play are being stressed as never before. Observes Chicago kindergarten teacher and author Vivian Gussin Paley, winner of a \$355,000 MacArthur "genius" grant in recognition of her books about young children: "Essentially, everything you learn in school can be broken down into a story. If you allow children to talk about the little worlds they've created, they'll be able to take on everything."

In other words, play is children's

work, and finding the right materials—stories, drama, clay, blocks, sand, water, paints—really means finding the tools for reasoning and maturing. "What's basic and important to any young child's education," says Shelley Lindauer, head of the Lab School Preeducation Program at Utah State University, "is curiosity and observation. It's much more important to know how to go about finding an answer—not a right answer."

At the Pacific Oaks School in Pasadena, Calif., while the kids seek answers, they are encouraged to see how their individual actions affect the world around them. Children at the school range in age from three months to nine years. Two-year-olds spend two hours twice a week there, and their parents have to come too. While the kids experiment, the adults get lessons in childhood perception. To develop pre-reading skills, older children tell stories and dabble with writing.

The same philosophy pertains at the Early Childhood Center of Sarah Lawrence, where director Wilford finds that her charges learn by imitating, by pretending to be Mommy or Daddy. "In that process, they are developing language and knowledge of symbolic things—the basis for reading and writing."

In the University of Alabama in Birmingham programs, older kids stage plays and operettas; younger ones play with blocks as a means of learning how to add and subtract. Says director Virginia Marsh: "We have never had a discipline problem. The children are so busy doing things that they don't have time to get bored."

The children in Birmingham—and everywhere else in the country—are going to be a lot busier in the coming decade. And so are their instructors. Yale Professor Edward Zigler, director of the Bush Center for Child Development and Social Policy, predicts that "by the year 2000, the number of working women will rise to 75%. We will see full-day programs for children from the age of three." It will take thousands of new preschools to meet that demand, and many more thousands of new teachers and assistants. The prospect is inviting and daunting: the millennium is only nine years away.

Listen closely and you can hear the future banging its spoon on the high chair.

—Reported by Karen Grigsby Bates/  
Los Angeles and David Thigpen/New York,  
with other bureaus



# Lights! Camcorders! Action!

Video cameras plugged into computers are helping people make home movies of Spielberg quality—well, almost

By PHILIP ELMER-DEWITT

Most of the 10 million Americans whose shoulders have sprouted camcorders over the past five years are happy just to point their whirling lenses at anything that moves—drooling babies, blushing brides, cops beating up the citizenry. But in the great rush to see their lives replayed on TV, who can be bothered to edit the gems they have recorded? Result: the world's greatest collection of truly awful videotapes—a vast library of raw footage even more droning and banal than the reality it purports to document.

There is, however, among the vast majority of mindless "cammers," a rare but growing breed of dedicated enthusiasts who are not content simply to point and shoot. Weighed down with auxiliary lights, remote microphones and jury-rigged dollies, they don't just videotape weddings (or birthdays or bar mitzvahs), they choreograph them. Then, back in their basement studios, they process their footage through an array of cutting-edge technology to produce video that is just as polished as the best seen on national TV—and for a fraction of the cost.

They are called the video hackers, and they are quickly becoming as expert in the arcana of videotape as computer hackers are in the

world of bits and bytes. In fact, many video hackers have mastered both worlds, plugging their camcorders into computers to explore a burgeoning new field known variously as computer video, desktop video or multimedia TV.

The road to hackerdom starts modestly enough. All anyone really needs for editing videotape is a camcorder and a VCR to copy selected segments from one tape onto another. Unfortunately, most camcorders and VCRs intersperse their cuts with irritating patches of electronic noise and make duplicates that look as if they've been smeared with a video paintbrush. So the would-be video artist soon finds himself trading in his primi-

tive equipment for improved models (costing up to \$1,200) with "flying erase heads," which allow smooth splicing, and one of the new formats (Hi8 or S-VHS) that can be duplicated again and again.

But editing on a VCR calls for extraordinary patience and split-second timing. That's where the computers come in. With an automated editing machine—like Videonics' \$599 DirectED PLUS—instructions for making cuts can be punched into a

keyboard as the footage rolls by on a TV screen. The computer remembers the markings, and when the tape is played again, the machine automatically splices together the chosen sequences. Computers can also be used to generate titles, graphics and fancy scene shifts—like the "tumble," in which one image seems to turn over to reveal another.

The big news at the moment is NewTek's Video Toaster, a \$1,595 plug-in board that attaches to Commodore's video-friendly Amiga computer. It gives operators a "frame grabber" to freeze images for computer manipulation, an animation program to create flying 3-D titles and a long menu of digital effects like the Star Trekian "transporter" that can dematerialize people from the screen.

To capture wide-ranging action, there's Cinema Products' Steadicam JR, a \$595 counterbalance that hangs off the bottom of the camcorder and smooths out swoops

and pans. Photography buffs will appreciate the new camcorders that can use a variety of lenses, including most of the wide-angle and telephoto lenses made for 35-mm still cameras.



Camcording can get expensive, but there is a growing "garage video" movement whose members buy much of their equipment at discount stores. For example, a skateboard makes a fine dolly for videotaping toddlers and tricycles. Ordinary quartz outdoor lights, perched on two-by-fours, provide good background lighting, while an old slide projector makes an excellent spotlight. Inexpensive security cameras can be used to help shoot scenes requiring two or three angles. For long-distance shots, a baby monitor makes a perfectly adequate wireless mike.

Even with computers, top-of-the-line camcorders and the latest editing devices, a Spielberg wannabe can gear up for under \$15,000, which is less than the studios spend for a couple of weeks' catered meals for the real Spielberg's crew. The lowered cost of entry has encouraged all sorts of people to go into business—full time or on the side—taping everything from rock concerts to legal depositions. "All of a sudden I can give my videos the slick look TV audiences expect," says Jim Watt, a self-employed "videographer" who worked at NBC News for 12 years before the new technology enabled him to strike out on his own. Now he pursues a vocation many would covet: traveling to the world's choicest fishing spots to shoot instructional fly-fishing videos that he sells through the mail.



# Tribal Rites in Lotus Land . . .

**NAKED HOLLYWOOD; A&E Network; debuting July 28, 8 p.m. EDT**

By RICHARD ZOGLIN

"Lemme just take this call," says producer Lawrence Gordon, interrupting an interview to grab the phone. What follows is one of those edgy Hollywood power conversations, laced with sarcasm, posturing and barely controlled venom. "What do you mean you have nothing to do with it?" says Gordon. "No, I don't believe you . . . Suppose I bid \$5 million, will you take credit for it?" Gordon hangs up the phone, then says with a smile, "So now we have to go to plan B."

And what is plan B, the interviewer asks. "Can't tell you," says Gordon. "Too dirty."

Hooraay for Hollywood. And at least a couple of cheers for *Naked Hollywood*, a probing, cynical, sometimes annoying but always fascinating documentary about the movie business, produced for the BBC and making its U.S. debut next week on cable. Producer Nicolas Kent got extraordinary access to a host of Hollywood bigwigs, from stars like Arnold Schwarzenegger to studio executives and other behind-the-scenes brokers. The resulting six-part series has been described by Kent as "a study of a tribe in its native habitat."

That habitat can be hostile. Hollywood has been buzzing for months over the caustic portrait that emerges in the British documentary, and some of the participants are kicking themselves for having cooperated. Two of them—producers Don Simpson and Jerry Bruckheimer—were apparently so miffed that they succeeded in preventing the episode that features them from being aired in the U.S.

At its best, *Naked Hollywood* puts a human twist on the familiar tales of Hollywood mass production and megalomania. One sequence tracks the relay team of writers hired by producer-director Ivan Reitman to massage the script of *Kindergarten Cop*. ("I felt he was somewhat written out," says Reitman of original writer Murray Salem. Says Salem: "He was not that friendly to me.") James Caan recalls career missteps that included turning down the lead roles in *One Flew Over the Cuckoo's Nest* and *Kramer vs. Kramer*.

The most scalding episode is the third,

on agents. It is hard to know which is more unsettling: the caught-in-the-act scenes of oily agents coddling clients over lunch and at the racetrack, or their considered explanations to the camera of what they do for a living. Ed Limato, who represents such stars

him to know." Another agent discusses the value of starting out in the mail room. "You learn what an agent sounds like and talks like and dresses like. You see what it looks like in an agent's office who's succeeding and [one] who's failing."

There is no narrator; the commentary is embedded in the editing. When Joe Roth describes the pressures of his job as head of 20th Century Fox, his remarks are juxtaposed with clips from *The Loneliness of the Long Distance Runner*. A look at Hollywood negotiating is embellished by an actor quoting from Sun-tzu's *The Art of War*. Even the way the interviews are shot—subjects are often dwarfed by huge desks or planted against stark unflattering backgrounds—emphasizes the Felliniesque strangeness of the world under scrutiny.

Some of this seems facile and condescending. The segment on agents, for example, hardly needs the bludgeoning of Frank Sinatra singing "All of me/Why not take all of me?" And in the episode on studio chiefs, why interview screening-room projectionists ("He comes across over the intercom as very nice") except to take a cheap poke

at the high and mighty? Hollywood moguls are perfectly capable of skewering themselves. Most of the time, *Naked Hollywood* lets them do it quite nicely. —With reporting by Dan Crary/Los Angeles



**"[In Hollywood] people wish you well, only if they know you're terminally ill."**

—NED TANEN  
Former studio executive



**"Agents should be given kneepads . . . for begging purposes."**

—JAMES CAAN  
Actor



**"I've been in the business for 18 years, and I've never felt safe."**

—JOE ROTH  
Chairman of 20th Century Fox

## ... And Two Natives Who Got Away

The segment of *Naked Hollywood* that U.S. viewers will not see features producers Don Simpson and Jerry Bruckheimer, who created such blockbusters as *Beverly Hills Cop* and *Top Gun*. Paramount Pictures, where the duo worked until last fall, refused to grant permission to air clips from their movies—clips that constitute a hefty portion of the episode. The studio claims it was acceding to Simpson and Bruckheimer's demand; they deny it. Producer Nicolas Kent says he is "mystified" at why the pair would be unhappy with the show and is appalled at Paramount's position. Says he of the studio: "What they're defending is censorship."

The profile of Simpson and Bruckheimer is not flattering, but hardly devastating. Although portrayed as busybodies on the set (*Top Gun* director Tony Scott recounts

how they pressured him to make co-star Kelly McGillis look less "whorish"), their main sin is fuzzy-minded self-importance. After calling themselves a "right brain-left brain" team, they trade sappy compliments. Simpson on Bruckheimer: "He is uncommonly smart [and has] the ability to hold the entire equation of moviemaking in his mind at one time." Bruckheimer on Simpson: "Don is very intelligent . . . He's a real big-picture guy." Uh-huh. Which one was the right brain again?



# 11

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## Recycling in the Newsroom

Plagiarism at two major dailies raises anew the issue of a newspaper's implicit contract with its readers

Every schoolchild is taught the impropriety of claiming credit for someone else's work. But in adult life, the rules on plagiarism are often hazily understood, even by those whose trade is to point the finger. Within a six-day span this month, the nation's two leading dailies, the *New York Times* and the *Washington Post*, confessed to plagiarizing stories from rival papers and disciplined the guilty reporters, while the journalism school at Boston University replaced its dean, H. Joachim Maitre, after he lifted much of his commencement speech from an obscure journal.

Officials at all three institutions assured the public that these were isolated episodes. But the misdeeds by the reporters from the *Times* and the *Post* were simply more extreme examples of corner-cutting practices that are becoming regrettably common. Technology provides ever easier access to other journalists' stories. Financial pressures impel sheer productivity. Reporters see career advancement coming through literary stylishness or Watergate-type exposés instead of nuts-and-bolts checking. And editors at even the most prominent places increasingly call themselves "packagers" rather than seekers of news. Thus it is scant surprise that even experienced reporters make bad judgments.

Fox Butterfield of the *Times* went awry, ironically, in reporting the Maitre plagiarism flap. After the story broke in the *Boston Globe*, he retold it in a next-day version, more elegantly written and with some fresh reporting. But Butterfield had no reason to



doubt the accuracy of the quotes in the *Globe*. So instead of buying a videotape of Maitre's speech, as the article implied he had, he took the quicker route of plucking the words straight from the daily. He also borrowed the *Globe*'s choices for side-by-side comparisons of passages by Maitre and PBS film critic Michael Medved. Butterfield presumably reasoned his time would be better spent advancing the story by pursuing new information. Instead, he was publicly

rebuked in a *Times* Editors' Note; he declined interviews last week while reportedly on a one-week suspension.

Laura Parker, chief of the *Washington Post*'s Miami bureau, took the shortest principle even further in filing a piece about mosquito and grasshopper infestations in Florida. She lifted most of her reporting from stories by the *Miami Herald* and the Associated Press, including direct quotations from people she had not interviewed. She presumably saw little point in the donkey work of calling the quoted sources, or hunting up counterparts, to provide innocuous remarks. In the mind of her editors, however, she broke an implicit contract with the reader, in which the newspaper vouches that all its facts, especially those surrounded by quotation marks, have been checked for accuracy by the newspaper itself. So they fired her. Parker declined to comment beyond a prepared statement: "I made a mistake, which I deeply regret. My integrity and ethics have never been questioned in my 16 years in journalism, and I think I was very harshly punished."

Whenever a news organ disciplines a reporter, cynics suggest that management is seeking a public relations gesture, a formal rooting out of sin. But the issue is the First Amendment bond with the public. Plagiarism imperils that bond, not because it involves theft of a wry phrase or piquant quote, but because it devalues meticulous, independent verification of fact—the bedrock of a press worth reading.

—By William A. Henry III.

With reporting by Minal Hajratwala/*New York*

## Ideas

### The Bonfire of The Nominee

Carol Iannone loses a round to political correctness

On one side were such conservative heavyweights as Vice President Dan Quayle, columnist William Buckley and Lynne Cheney, chair of the National Endowment for the Humanities. Lined up in opposition was an imposing array of scholarly dreadnoughts, including the Modern Language Association of America and the American Council of Learned Societies. At issue was the nomination of Carol Ian-

none, 43, a conservative literary critic, to the NEH's 26-member National Council, which advises the endowment on spending its budget (for 1992: \$170 million).

Score one for the politically correct. After an intense debate last week, the Senate Labor and Human Resources Committee voted 9 to 8, largely along partisan lines, to scuttle the nomination. Echoing Iannone's academic foes, Senator Edward Kennedy contended that her scholarly credentials were too feeble to justify promotion to the council, whose charter requires members with records of scholarship or creativity.

A respected teacher of literature at New York University, Iannone earned her Ph.D. at the State University of New York at Stony Brook with a 1981 dissertation that was sharply critical of feminism. As

her critics note, Iannone has published little scholarly work since then. But that may have been less relevant to her nomination's fate than the currently unfashionable quality of her critical reviews, many of which have appeared in the conservative monthly *Commentary*. In March she argued that a signal reason why so many top prizes had been awarded to recent novels by Gloria Naylor, Toni Morrison and Alice Walker was not literary merit but the fact that the authors were female and black. Meanwhile, the Senators approved without debate two political scientists who have written extensively for conservative journals. To judge by their scholarly publications, neither Harvard's Harvey Mansfield nor Michael Malbin of SUNY's Albany campus has ever challenged any favoritism allegedly accorded black writers. ■



## Religion

# "Mother Teresa for the '90s"?

**Marianne Williamson is Hollywood's New Age attraction, blending star-studded charity work with mind awareness**

By MARTHA SMILGIS

**E**very Saturday morning at St. Thomas Episcopal Church in West Hollywood, Marianne Williamson steps to the pulpit before a packed house. But she is no ordinary minister: the church has been rented and the message is decidedly New Age nondenominational. Impeccably groomed and clad in designer clothes, the slender brunet launches into a sermon that mixes

work of more than 1,000 study groups based on its introspective meditational program.

None of the course's other practitioners have the show-biz pizzazz that Williamson brings to the lecture circuit. She has linked herself with Hollywood's cause-consciousness by founding the Centers for Living, bicoastal organizations dedicated to providing home help for those with life-threatening diseases. Williamson is also

tive, competitive and comparative thinking processes."

The majority of Williamson's followers, however, are glitzy baby boomers. Many are graduates of 12-step programs—they are the addicted, or the obsessed and compulsive. Others are spiritual seekers turned off by organized religion. Williamson, the daughter of an affluent Houston attorney, considers herself one of them. "The course was my personal path out of hell," she says. "There was little I hadn't tried or been through," including numerous sexual relationships, drugs and even a stab at singing nightclub jazz.

In 1977 she first spotted *A Course in Miracles* on a friend's Manhattan coffee table. By 1983 she was lecturing on the text for the Philosophical Research Society in Los Angeles, a metaphysical center, while supporting herself as an office temp. Today she gives three sermons a week, charging \$7 a head, to those who can pay. In addition, she travels monthly to New York City, where her lecture brings in 1,000 listeners at a time. She has recorded more than 50 cassettes summarizing the course, lectures regularly on public-access TV and next year will publish her first book, *A Return to Love*, which summarizes her thoughts on the course.

One of her many admirers calls Williamson "a Mother Teresa for the '90s," promoting peace of mind through God. Her detractors, however, see something less enlightening at work. No one has accused Williamson of greed—a single mother, she lives modestly with her daughter India, 14 months, in a two-bedroom apartment in West Hollywood—but her desire for publicity is another matter. "She's an expression of the entertainment industry—fueled by fame and the desire to be a star," says an expert on new religious movements in California. "The course is the perfect disconnected religion of the '90s. It allows driven, self-absorbed, narcissistic people to continue in their ways."

"There's a deep need for spiritual values," Williamson replies. "In the 1980s we had our materialistic orgy. Now we're experiencing a rebirth of early '60s thinking, a spiritual shift. We must learn how to be nonaggressive in order to survive." Rather than being a nonjudgmental license for self-indulgence, the course, she says, encourages service as a way of prayer. "It teaches us to relinquish a thought system based on fear and accept instead a thought system based on love." And for now, no one can pass that message along quite like she can. ■

## WILLIAMSON'S WISDOM

**"You can let the same force that makes flowers grow and planets move run your life. Or you can do it yourself."**

**"Faith isn't blind; it's visionary."**

**"Money, sex, power—they're just temporary relief for minor existential pain."**

**"Love in your mind produces love in your life. This is the meaning of heaven. Fear in your mind produces fear in your life. This is the meaning of hell."**



KARL K. KREMER

Christian exhortations, meditative slogans and psychotherapeutic advice: "Align your mind with God and watch miracles happen." Then she saunters down the nave to "share" with the audience. "Anytime you think someone owes you something, it's a limit on your happiness," she counsels a distressed young woman. Bowing her head in prayer, she intones, "God has the power to bring happiness into our lives."

Those spiritual theatrics have earned Williamson, 39, recognition as "the guru of the moment in Hollywood," the most highly visible advocate of a mind-awareness text called *A Course in Miracles*. The 1,200-page spiritual-psychological tome was written in the 1960s by a now deceased Jewish psychologist Helen Schucman; it teaches spiritual self-betterment through exercises to clarify the subject's perception of reality. The book has spawned an informal net-

work of more than 1,000 study groups based on its introspective meditational program. None of the course's other practitioners have the show-biz pizzazz that Williamson brings to the lecture circuit. She has linked herself with Hollywood's cause-consciousness by founding the Centers for Living, bicoastal organizations dedicated to providing home help for those with life-threatening diseases. Williamson is also

the prime fund raiser for Project Angel Food, a program that delivers 200 gourmet meals daily to dying AIDS patients in the Los Angeles area. Among the 800 volunteers who help with Angel Food are recording mogul David Geffen, Shirley MacLaine, Bette Midler, painter David Hockney and 20th Century Fox head Barry Diller. Most of those celebrities are not devotees of Williamson's think-positive course lectures, but a few are, and the glamour has rubbed off. "There's so much to worry about," says Sandy Gallin, Hollywood manager of top stars, who attended Williamson's lectures and then invited her to bless his star-studded birthday party for Geffen. "Put together the ecological breakdown, disease and the recession: we gotta pray to get out of this one." Actor Tony Perkins credits the course with quieting his mind: "It slows down your repeti-

## The (Sticky) Fad of Summer

The season's big game involves two paddles, a ball, lots of Velcro—and oodles of people who love the gimmick

**F**or a while there, it looked as if this could be a summer with nary a craze in sight. But not for long. Suddenly this has become the summer of the Velcro paddle and ball.

The idea for the new toy is simple: put stick-to-itself Velcro on a sphere that is roughly the size of a tennis ball. Apply the same stuff to two mitt-size disks that have a strap across the back for a handhold. Presto! A craze known variously as Magic Mitts, Scatch, Katch-a-Roo and Super Grip Ball. On streets, playgrounds and at the beach, players have added their own fancy moves, twisting into pretzel shapes to make behind-the-back catches, or getting a grip on the ball while doing a high-kick. Another trick: strapping a mitt on each hand to grab two balls at once. In short, the new adhesive playthings do what the Frisbee used to do, with less effort. Dropping the Velcro ball is also a lot harder: if it strikes any part of the sticky mitt, the orb stays put.

With prices that range from \$13 to \$20, the three-piece sets are pleasantly affordable, and even a novice can immediately start showing the skills of a big-league outfielder. "It's New Age baseball," says Ashley Petrus, 12, of Columbia, S.C., who liked the sport the first time she picked up a mitt. "You really get into it. The best part is the feeling of pride when you catch." And as her brother Brad, 9, pointed out after he neatly snared Ashley's pitch, "you don't



Neon colors and no thwack-thwack

have to be exact. If the ball hits on the mitt's side, it sticks."

A popular version of the game is Super Grip Ball, which is distributed by Paliafito America Inc. The company's founder, Mark Paliafito, 25, tried out a South Korean-made set on young players in a baseball

league he was coaching last fall. "They loved it," he says, "and I started thinking about the potential this kind of thing had." With his brother John, 24, he formed a small California company, and in January bought the U.S. marketing rights with the guarantee that he would spend at least \$1 million on advertising.

During the traditional spring-break bacchanalia, the Paliafitos handed out hundreds of free mitts and balls to college students on Florida and Texas beaches. The game caught on like, well, Velcro, and since then the Paliafitos say they have sold 650,000 of their Super Grip Ball and taken orders for nearly 1 million more.

In eye-popping neon colors, Super Grip sells briskly in toy stores and at the 75-store Sharper Image chain, whose typical customer is described as a man in his early 40s. What's the allure? "When the economy gets tough, you need a diversion," says Stephen Sandberg, owner of Sanco Toy Co., in Foxboro, Mass., who has shipped 100,000 Scatch games. "You look for something simple to do. You use your imagination, and make up your own rules."

Inevitably, fads fade, but while the mitt is still a hit, Mark Paliafito's company is lining up commercial sponsors who will stamp their logos on the Super Grip Ball. He also plans to make disks 7 ft. in diameter for team play. By next year, five new versions are expected to be on the market. And that should be welcome news even for beachgoers who do not play: the muted sounds from Velcro mitts will be displacing the annoying *thwack-thwack-thwack* of old-style beach paddle-ball games.

—By Emily Mitchell, Reported by Dan Cray/Los Angeles and Elizabeth Rudolph/New York

## Tarsorial Splendor

Attention, footwear fetishists! Sports sandals are hip soles for hip souls.

**T**hey look like a cross between a dime-store thong and a ripped-up, stripped-down running shoe. Once the uncelebrated darling of Western college students, they are the coolest thing under your feet since Air Jordans and can cost nearly as much.

Sports sandals, this summer's must-have shoe, are now standard equipment for hikers, mountain climbers and even some skydivers. Like the fanny-pack and bike-shorts crazes of the 1980s, they had their origins in the great outdoors. The footwear was originally designed eight years ago by



Rugged design and big ambitions

Mark Thatcher, a Colorado river outfitter who found athletic shoes too slippery and spongelike for white-water rafting trips.

His comfortable, quick-drying innovation is fitted with a variable web of beltings, tethers and buckles that snugly grip the toes and the ankle while keeping the foot from sliding back and forth. A tough rubber sole

and a high arch take the off-road punishment expected by hikers and mountain climbers; hot colors and a high-tech look are now attracting buyers who want to wear what the rugged, back-to-nature types swear by. "They're all I wear when it's warm," says Dale Covington, who works at the Trailhead, a Missoula, Mont., outfitter, and owns two pairs. "When it cools off, I wear them with socks."

After several years of modest sales, limited almost exclusively to the Western mountain states, the sports-sandal fad has spread to both coasts. The most popular line is known as Teva, made by Deckers Corp. of Santa Barbara, Calif.; they come in 30 different styles and retail for anywhere from \$35 to \$80. Peter Link, Deckers' vice president for marketing and sales, predicts that revenues from the sandal will double this year to \$12 million and double again next year. Says Link: "We want to be the airy alternative to athletic shoes." Clearly, a goal worth striding for.

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## J A G U A R

A B L E N D I N G O F A R T A N D M A C H I N E

\*Lease offered by participating Jaguar dealers to qualified lessees. Example based on 1991 Jaguar Sovereign \$48,300 MSRP (\$48,790 MSRP in Pacific and Mountain states). Includes all costs to be paid by customer except for licensing, registration, taxes and insurance. Price based on 48 month closed-end lease requiring 48 payments of \$595, totaling \$28,560. Mileage charge of 18¢ per mile over 55,000 miles. A \$3,300 down payment is required from customer at lease inception plus an acquisition fee of \$350, and first month's lease payment for a total of \$4,245 due at lease signing. Option to purchase at end of lease for vehicle's published residual value. Lessee is liable for maintenance, repairs and excess wear and tear. All amounts shown and lessee obligations described are subject to applicable taxes which are extra. Dealer contribution may affect final cost. See your dealer for details on special terms and information on other available leases. In California, XJS coupe and convertible available in 1990 models only.

## VIEW POINTS

### DANCE

#### She Did It Her Way

The centerpiece of the Royal Ballet's current U.S. tour is a production of **SWAN LAKE** that in most respects is a genial mess. In the famous "white act," the enchanted maidens dance around in what appears to be silvery décor left over from their Christmas party, all tinsel and discarded trees. But the company does have a genuine Swan Queen: the bewitching French ballerina **SYLVIE GUILLEM**. At 26, she is the reigning star of international ballet, and it is easy to see why. Tall and leggy, she seems to have double-jointed hips—her ordinary kick is stopped only by her ear. On-stage she seems radiantly alone. This Swan Queen may be the Prince's fantasy; she mostly ignores him and certainly does not need him to enact her own doomed fate. Guillem holds the stage with mesmeric authority. No romance for her, Tchaikovsky notwithstanding. Guillem is a modern heroine who could perform the role persuasively in a leotard. In fact, theater artist Robert Wilson is only semi-spoofing when he talks of a *Swan Lake* in which she would play all the roles. She could too, right down to the tipsy tutor. —**M.D.**



JOHN TAYLOR

### MUSIC

#### Burdened Spirits, Soaring Songs

**TONI CHILDS** has done something tougher than just make another terrific record here. She has beat the jinx. Her debut album in 1988, *Union*, was one of those comet-like appearances that occur more frequently in pop music than they do in the firmament, leaving the listener simultaneously dazzled and wondering, a bit uneasily, if she could ever do it again. Many don't, after all. But then, it's becoming increasingly clear that Toni Childs plays only by her own rules. **HOUSE OF HOPE** (A&M) is a record about emotional battering: in love, in childhood, in marriage. The songs, mostly written and produced with the formidable David Ricketts, soar and surprise; the lyrics have a spare astringency, which is just the right tone

in which to tell these tales of burdened hearts and spirits that, against all odds and expectations, refuse to be broken. You can hear *House of Hope* pouring out of the car radio this summer as Thelma and Louise barrel along in their T-Bird convertible into the mythical heart of American pop culture. When they stop to refuel, they'll find Childs right there. Outlaws of the heart, all of them. —**J.C.**

Toni Childs



House of Hope.

### CINEMA

#### '90s Going on '60s

Every summer needs an oddball movie, muttering happily to itself in a forgotten corner of the superplex while the mega-budget pictures bat each other silly. So welcome to **SLACKER**, a parade of all-American weirdos. Writer-director Richard Linklater has borrowed the format of *La Ronde*—one character talking to a second, the second to a third and so on—and populated it with dozens of layabouts (slackers) in Austin. These motor-mouth dropouts have decided on a life of independent study: of the Kennedy assassination, or the space program (we've been on Mars since 1962, colonizing the galaxy with financing from the Medellín cartel), or Elvis (he's living in Las

Vegas, working as—what else?—an Elvis impersonator). The wildest theories are received with a blissed-out smile. "Sorry I'm late," somebody says; the reply is "That's O.K.—time doesn't exist." Yes, it does. Though set in the '90s, *Slacker* has a spirit that is pure '60s, and in this loping, loopy, sideways, delightful comedy, Austin is Haight-Ashbury. —**R.C.**



### TELEVISION

#### Gleefully Ghoulish

TV has often looked for inspiration to the world of comic books, usually superhero juvenilia like *The Flash* or *The Incredible Hulk*. But **TALES FROM THE CRYPT** is a different kettle of rotting fish. Based on the seedy old E.C. horror comics, each half-hour episode is a ghoulish black comedy that aims less for thrills or scares than for gleefully evoked squirms. The show, garnering high ratings in its third season on HBO, demonstrates another quality rare in TV: it is improving with age. Introduced by a cackling, skeletal "crypt keeper," the stories barrel along with logic-bending abandon; even when the ending fizzles (a frequent problem), getting there is a wild ride. Among the summer's highlights so far: Beau Bridges and Tony Goldwyn as brothers who trade sadistic practical jokes in a morgue, Malcolm McDowell as a soft-hearted vampire who opts for safe sustenance by raiding the local blood bank, and Jon Lovitz as a sad-sack actor who auditions for a far-off Broadway production of *Hamlet*. Turns out that the only role available is Yorick. Alas, poor Lovitz! —**R.Z.**



WILL TAYLOR

### PHOTOGRAPHY

#### Eek! A Naked Lady!

Robert Mapplethorpe's boys-in-bondage photographs made the right wing snort and paw the ground. But the left has its own kind of puritanism lately, which submits depictions of the human body to a test of political correctness. A 1964 work by Sol LeWitt failed the test of Elizabeth Broun, director of the Smithsonian's **NATIONAL MUSEUM OF AMERICAN ART** in Washington. LeWitt's piece—part of a touring show of work inspired by the 19th century photographer Eadweard Muybridge—is a long black box with 10 portholes. A viewer passing from one to the next sees successive shots of an advancing naked woman. Broun compared the work to a peep show and removed it from the walls, until the resulting uproar compelled her to put it back. Broun says she wasn't practicing censorship but insists that she isn't obliged to give a public stage to work she finds "degrading." Substitute the term "tax dollars" for "public stage," and you have Senator Jesse Helms' argument against government funding for art he doesn't like. The message from both sides to artists? Stick to abstraction; it's safer. —**R.L.**



ROBERT MAPPLETHORPE; NATIONAL MUSEUM OF AMERICAN ART; ANDREW MILES



# A Royal Star Shines On Her Own

Now thirtysomething, facing the 10th anniversary of a troubled marriage, **DIANA**, Princess of Wales, navigates a tough passage with grit and grace

By **MARTHA DUFFY** LONDON

**B**lack skies, rain squalls, a cutting wind. June in Wales. On a bald hill outside Cardiff sits the Polytechnic of Wales, a scruffy institute that aspires to university status. Along its main drive hundreds of people have gathered—local dignitaries, students, faculty, many humbler school employees. So have several members of the press.

Presently, a convoy of black cars purrs up, and out of one appear sensational legs, feet shod in high purple pumps, and a blur of bright pink cheerful enough to part the clouds. The tall young woman who alights smiles radiantly, her carriage plumb line but her head tilted slightly down so that you see the whites setting off huge blue eyes—a far more effective beauty tactic than any cosmetic. Diana, Princess of Wales, the woman who will be Queen of England and is already the world's reigning celebrity, has come to Pontypridd.

Although the official reason for the visit is the unveiling of a plaque, most of Diana's time is spent on a walkabout and chitchat with random members of the crowd. As the student orchestra saws out reverent tunes, she helps a boy with a speech impediment through the arduous business of telling her he loves her and hopes to see her soon again. To a handsome student who sports a box cut despite his straight hair, she says, "I think we should exchange hairdos." Nice, and just naughty enough. He and his post-Mod buddies preen like princelings.

There are a few disgruntled people around: the press. "Damn!" bellows a photographer. "The old pink again. I'm not staying here." The press is as much a part of the princess's life as her exercise regimen. The vivid dress that seems an inspired choice for a nasty day has in fact been photographed many times over at least two years. Has she forgotten how to play this game?

"She's wearing her old clothes to try to shift the spotlight onto him," gripes another cameraman, "and it won't work." Him, of course, is the problematic Prince Charles, whose dilatory connubial ways have the brazen British tabloids—and increasingly the world press—in a feeding frenzy.

Diana's enduring allure has surprised everyone, including the lady herself. The public obsession with the smallest details of her smart clothes, her hair, her sons and her chums

has made royal family life far more compelling and financially exploitable than any TV saga. What did they do without her a mere 10 years ago—the media, the publishers, the tourists and fashion industries, the gawgawmakers? What did the royals themselves do?

This hands-on princess loves picking up babies, whether or not they have AIDS. In her endless hospital rounds, she ignores the doctors and holds hands with the patients. If she visits a center for the aged during ballroom-dancing class, she finds an elderly partner and does a turn on the floor. By way of contrast, Princess Anne's work with children has been unstinting and effective, but she will not cuddle on camera.

All working royals are patrons of British charities, but how active they are varies greatly. Diana's profile has come into focus in the past four-odd years. She favors groups that help the underprivileged and the maimed. In the cutthroat funding competitions of the charity world, her combination of regal presence and natural flair is rare, and golden. To Margaret Jay, director of the National AIDS Trust, Diana's great contribution is in "influencing attitudes. Her speech saying AIDS involved everyone, not just marginal groups, was worth hundreds of millions in ads." Contents Zelda West-Meads of the marriage counseling group RELATE: "She would be a natural counselor. She makes people feel that she won't be shocked by what they say, that she won't think of them as failures because they've made a mess of their lives."

Because Diana's approach is so blunt, her personality comes across in any appearance or photo spread. At 30, "shy Di" is just a memory. Gone are the public episodes of staring intently at the ground, nodding off on daises, as well as the occasional hogging of the spotlight at her husband's expense when the press is around. Diana has found her role. She is a thoroughly modern princess who is an ebullient companion to her boys (there is plenty of help, however, around Kensington Palace) and a zealous patron of her charities. Though she lives by the bizarre protocols of a make-believe world, she radiates accessibility. Most commentators consider her the most effective member of the royal family, and her popularity in polls zoomed when she checked into the hospital last month to be near her injured child, William.

Still, Diana is not a new sprig in British royalty but rather a fresh example of something that has allowed the House of Windsor to endure. The laws of primogeniture may prevail, but the strength of the dynasty is in its women, not its men. In the '30s, Edward VIII abdicated after a brief reign to marry Wallis Simpson; his shy brother George VI handled a tough job well during World War II, but the strain of ruling contributed to his death at 56. Prince Charles, 42, is well versed in the public controversies he relishes, but he remains a remote man and a bit of a ditherer. It is Elizabeth, the Queen Mother, 90, her daughter, Queen Elizabeth II, 65, and Diana who dominate this unlikely and quizzical institution and are capable of making it seem as much a part of civic life as the post office.

Last June, when Charles missed the annual Order of the Garter procession because of his latest bout with back pain, his place in the line was taken by the ancient Queen Mother, who was spry and fit. When the teenage Diana Spencer was engaged to her prince, it was the Queen Mum who stepped in again, coaching her on the fine points of being a royal.

The two women have a lot in common. Both have effortless charm and a popular touch that politicians would kill for. The camera worships them: Queen Mum in her spun-



## What did they do without her a mere 10 years ago—the media, the publishers, the tourist and fashion industries?

too strong willed and emphatic. She also has an acute sense of what she finds boring. High on that list are theoretical matters, politics and intellectual pursuits. Charles enjoys metaphysical speculation and would fit nicely into an Iris Murdoch novel as a member of her slightly woolly-headed intelligentsia. Diana prefers a good gossip. She avoids the staff during her hospital and shelter visits because she is only interested in concrete things. She is said to be genuinely funny and loves a kick-off-your-shoes good time.

Ever since Charles went off to the opera right after Wills was hospitalized, the tabloids have smelled blood. A favorite rumor links him with fortyish Camilla Parker-Bowles, a neighbor in the country whom he courted, and could have married, nearly 20 years ago. When the Waleses did not spend July 1—Diana's 30th birthday—together, the coverage became relentless. The fact that the princess sported a new gold and mother-of-pearl bracelet the next day went virtually unreported. The situation is said to upset the Queen (no one has the least idea what she thinks about anything). Charles' pals put out the word that he had offered a grand party, but Diana turned it down on grounds of excess stuffiness.

As usual, Charles' tactic was perceived as graceless. It is his misfortune that Diana's natural p.r. is unbeatable. In addition to being adorable, she is a devoted and highly visible mother. Charles is not often photographed with his boys. In fact, pictures of him with his wife are sparse, according to photographers, because he is so often making a face or pulling at his ear. As bad luck would have it, the 10th royal anniversary is July 29. Again no festivities are scheduled. The stage is set for a replay of the birthday fiasco.

Though the strains between the Waleses were all too evident in July 1991, the couple probably worked out a mutual accommodation at least three years ago. That's when the loud rows at private dances stopped (Charles seldom goes anymore) and when almost all public appearances became solo. It is inevitable that Diana will upstage him—he is no Jack to her Jackie—and separation keeps the prince's evident jealousy in check.

Diana's mother is known as a bolter: she ran off with a lover, leaving her four young children. A similar flight is often predicted for Diana in the next decade. It won't happen. She might not be able to give her feelings the mystical drum roll that Charles can manage, but Diana believes in the Crown fully as much as he does, and works for it tirelessly. Early this month, the *Economist* printed a thoughtful story about the British constitution. Its proposals did not include abolishing the monarchy. Should it go? According to the *Economist*, "Common sense and political prudence chime. No. It makes people happy. Cromwell made them cross." Diana's achievement in the past 10 years has been to turn up the megawattage on the happy side. She ought to do just fine in the 21st century. ■

sugar hat, pastel coat anchored by a huge, gem-laden brooch and a dusting of ostrich feathers; Diana in her elegant column of silk or her inspired off-duty wardrobe (including a Philadelphia Eagles jacket). These women just don't take a bad picture. Perhaps only the Pope is as photogenic.

There are plenty of bad shots of Queen Elizabeth—dowdy, frowning or smiling fixedly. There are even snaps where she simply disappears, as she did while addressing Congress last May. But in action, she hasn't put a foot wrong in decades. She has dealt effectively with nine Prime Ministers. Last month, when some Labour M.P.s tried to promote a bill demanding she pay taxes on some \$80 million annual private income (other family members do), they couldn't arouse much interest. People think the Queen works hard.

Perfect in tact, she keeps her political and architecture opinions, her thoughts about female clergy, to herself. Her patience with her large family is limitless. Daughter-in-law Fergie may be greedy, son Edward flaky. Daughter Anne's estranged husband hit the headlines this year with stories about a New Zealand love child. Even her eldest son, and heir, is making a deplorable mess of his marriage. But the Queen takes the long view, and it is with her that most British families identify.

Will Diana ever be such a paragon? Probably not; she is

# Look, Mickey, No Kitsch!

**Disney has become the world's foremost patron of high-profile architecture**

By KURT ANDERSEN

As architects began rediscovering the virtues of color and history and whimsy a decade ago, the buildings that resulted were often derided as cartoonish exercises in kitschy nostalgia. Disneyesque became a standard pejorative applied to the work of such post-Modernists as Michael Graves and Robert A.M. Stern. Now, rather suddenly, the figure of speech is biting back: under chairman Michael Eisner, Disney has become the premiere patron of architecture of the late 20th century, commissioning major works by a majority of the world's most celebrated architects.

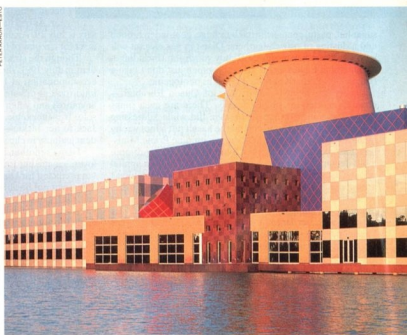
Disneyites occupy a zany new Neoclassical corporate headquarters that Graves designed in Burbank, Calif. (the Seven Dwarfs, each cast 19 ft. tall in concrete, support the pediment). In December the first guests checked into Stern's two ersatz-turn-of-the-century hotels at Disney World in Lake Buena Vista, outside Orlando. May marked the opening of the most interesting of the Disney architecture, an administration building in Lake Buena Vista by Arata Isozaki. And at Euro Disney outside Paris, where a \$4.1 billion theme park and resort will open next spring, buildings designed by Graves, Stern, Frank Gehry and Antoine Predock are all under construction.

Eisner's rationale for hiring practically every famous architect on earth is complicated: part corporate imagemaking, part personal enthusiasm and part a natural extension of the new Disney self-confident show-biz relentlessness. And there is some enlightened despotism thrown in. "It costs the same to do well as badly," Eisner claims. "It's exactly the same

WALT DISNEY WORLD

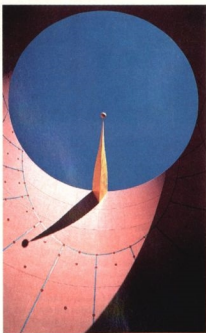


PETER ARBON—1970



## ROBERT A.M. STERN

Stern's first finished work for Disney is the Lake Buena Vista, Fla., employee-hiring facility, below, a capricious checkerboard-painted building described by Disney flacks as "Venetian-palace-themed." It is certainly more diverting than anything else on Interstate 4 and all but shouts Disney. Before the advent of chairman Michael Eisner, Disney buildings nearly all came from the drawing boards of the Imagineers, the in-house designers, and local architects. It's not a long stylistic leap from the Imagineers' white clapboard Grand Floridian (1988) to Stern's Yacht and Beach Club Resorts, left, but with good-old-days fakery the details are everything. At Stern's Yacht Club, the freestanding shingle-clad light-house and marina are superb, and the snug lobby is a fairly scrupulous synthesis of real turn-of-the-century models. It is inevitably funk-free and a bit too cute, but more deeply charming than anything Disney could have built on its own. At Euro Disney, Stern has two hotels under way, one of them the Cheyenne—1,000 guest rooms in the guise of an Old West town—which may, after all, entirely blur the line between Imagineering and architecture.



## ARATA ISOZAKI

One of Japan's best architects, Isozaki is a natural-born radical, determined to make every new building unlike anything that's been done before. At his new Team Disney office block in Lake Buena Vista, Fla., the interior corridors are as spare as anything the Bauhaus ever imagined. The exterior, meanwhile—the office wings covered in a grid of gray and pink panels, a giant mouse-ear silhouette and a tall pink-and-green cylinder—is a remarkable admixture of Cubism, Erik Gunnar Asplund and Pee-wee's Playhouse. But for all of that manic showiness, the core of the building is an astonishing space, primeval and serene: the cylinder is open to the sky and, with a 74-ft.-long beam fastened to the rim of the cylinder overhead, becomes one of the world's largest sundials.





price if you build 1,200 ugly rooms."

Shortly after arriving at Disney in 1984, Eisner had his first working dinner with some of the company's executives and offhandedly suggested they build a hotel in the shape of Mickey Mouse. They were shocked—and galvanized. But some of the Old Guard was not amused. Ground had already been broken at Epcot for a new hotel complex, and Disney's partner in the project was determined to hire a conventional architect to create a conventionally upscale hotel—a meretricious riot of Trumpian brass and glass. Eisner, however, wanted Graves, at the time the hottest architect in the country, to design the 758-room Swan and the 1,514-room Dolphin. "I said, 'Look, we're an *entertainment* company,'" Eisner got his architect, and the Disney adventure in big-time, high-profile design had begun.

"We're Disney. We've got to have the biggest, the best, the most tasteful," says Eisner. Most tasteful is a new Disney superlative, yet taste and aesthetic surprise and a certain rigor are what make the recent architectural fantasies more than Vegas kitsch or shopping-mall saccharine.

**D**isney has a reputation among architects (as among filmmakers) for tightfistedness and micromanagement. On each project Eisner is brought in five times to review the plans, approving masonry textures, paint colors and light fixtures. One reason the chairman says he meddles more in the design of a hotel than he does, for instance, in the production of *The Marrying Man* is that "movies go away, but buildings stand as monuments to your bad taste." Plus he thinks he's good at inspiring architects. "I know how to make creative people see that something is not as good as they can do. Or I tell architects, 'Don't give up. Don't accommodate.'"

Eisner is ambitious in the best sense. Like the founder of his company, or an overgrown child, he thinks big and will not take no for an answer. He wants to redeem Walt Disney's dream for Epcot—it was supposed to be an Experimental Prototype Community of Tomorrow—by creating a new town on 3,800 acres at the southern end of his Florida fiefdom. Eisner's vision is a mixture of the predictable ("the biggest mall in Florida"), the high-minded ("I've been obsessed with creating a new chautauqua") and the intriguingly original ("We want to build workplaces, pilot factories"). He has already rejected schemes by Stern and Gwathmey Siegel. A design competition going on among Helmut Jahn, Charles Moore, Aldo Rossi and the firms Arquitectonica, Morphosis and Kohn Pedersen Fox has so far produced accepted designs by Jahn, Moore and Rossi. Trying to realize this biggest dream has been "a nightmare," Eisner says. He doesn't know exactly what he wants, but he wants it to be amazing, and he wants it badly. ■

## MICHAEL GRAVES

Graves' work is often bombastic, dreams of antiquity gone hypertrophic. And sure enough, the Dolphin, right, and the Swan, his big hotels in Lake Buena Vista, Fla., which are probably the best known of all the new Disney buildings, are goofy and overblown—imagine if Albert Speer had been Toontown's architect. But for a Disney World resort to worry about violations of small-is-beautiful decorum seems prissy, even beside the point. And in fact the two hotels, set close together, have a certain mad urbanity, Miami Beach thoughtfully recast by an intellectual. The interiors are carefully, charmingly detailed, the marine and tropical imagery more abstract than standard Disney décor. In the Dolphin, the lobby ceiling is a tent top of blue-and-white-striped fabric, producing a relaxed, vaguely North African air. At Euro Disney, meanwhile, work is under way on Graves' Hotel New York, far right, a curious-looking hybrid of the town-house and skyscraper forms suggesting a Manhattan cityscape.



## FRANK GEHRY

Disney is all about tidiness, sweetness, niceness. Gehry's sensibility is almost the opposite: rough, tough, thrillingly weird, his work a mélange of materials such as raw plywood and chain-link fence. To commission—and build—work from Gehry, a fellow Southern Californian, is Eisner's most adventurous act of patronage yet. Gehry, an architect of immense natural talent whose punkishness has lately mellowed a bit, designed the "entertainment center" for Euro Disney (model above). The place is going up outside the theme park proper, among the resort hotels, and it will be wild: it is, like Stern's Euro Disney hotel, partly inspired by Buffalo Bill imagery (cowboy-and-Indian shows will be staged in a 1,000-seat theater), and will include orthodox Disney diversions (a "surf shop," a boutique selling movie-theme merchandise, the "Neverland Club" for children, restaurants, discos). But Gehry's building is deconstructionism on Prozac, a cheerful madhouse of an Old West settlement built with odd angles and clad in plaster and stainless-steel strips, with a suspended 2½-acre grid of lights overhead.





STEVENS BRIDGES



BRIDGES



BRIDGES

## CHARLES GWATHMEY & ROBERT SIEGEL

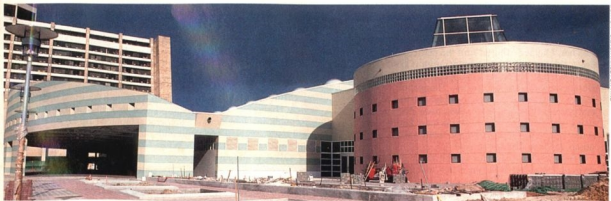
They are not known for playful or colorful buildings; their work tends to be suave but sober, rectilinear, crisply modern in the 1970s fashion. So it was understandable that Gwathmey and Siegel were chosen to append an exhibit-and-convention center to Disney World's Contemporary Resort, the hotel that evokes modernity circa 1971. They were free of what Siegel calls "theming." The new building is nevertheless a departure for Gwathmey Siegel: the beige-and-green-striped stucco exterior and two salmon-colored rotundas with square windows unmistakably recall the portentous whimsies of Michael Graves. "They are a very good client," says Siegel about Disney. They sure are: the firm is building golf course clubhouses at Euro Disney and Disney World, and has been hired by a Disney executive to build a house in Malibu, Calif.



CHARLES GWATHMEY AND ROBERT SIEGEL



TOM BRIDGES: EXTERIOR; ROBERT SIEGEL: INTERIOR



BRIDGES: EXTERIOR; ROBERT SIEGEL: INTERIOR



## Essay

John Skow

# Primary? What Primary?

**T**o his credit as a Cal Coolidge conservative, President Bush does not interfere with the internal affairs of a sovereign nation, the United States. Since all agree that the country's internal affairs are in woeful shape, this should give the Democrats a fine opportunity to pelt him with rotten fruit and dead cats in the most important political yard sale of the quadrennium, next February's New Hampshire primary. Here in New Hampshire, however, we are looking at our watches and asking, "What Democrats? What primary?"

The only announced candidate to show up so far is Paul Tsongas, a decent fellow who needs career counseling. This is serious, because New Hampshire's economy is badly lagging on primary filing fees and the political media's bar bills.

"Dunno," said Mildred, my neighbor. "Seems like Mario Cuomo should be here by now." We met at the town recycling center. She was trying to slip an elderly single-bed mattress past the vigilant fellow who runs the garbage hopper.

"No mattresses," said the hopper commandant.

"The lady before me dumped a television."

"Yup. But no mattresses," the environment's guardian told her. I helped Mildred stuff the mattress back into her old Pinto, the one with the REGISTER LIBERALS, NOT GUNS bumper sticker just below the LIVE FREE OR DIE license plate. A Democrat with a solution to New Hampshire's mattress problem could win it all. I know one man who had to bury two old mattresses in his pasture, like dead cows. Anyway, in all primary seasons up to now, you would have found Gary Hart or some other left-winger with good teeth staked out at the town dump, ready to shake your hand.

That noon at the Peter Rabbit diner I met Brisket, who owns the big motel by the interstate, and Graftwell, the paving contractor. They were having lunch with the Town Fool, one of our town's two registered Democrats. It was the Fool who

in 1988 urged that the Democrats nominate Franklin Delano Roosevelt, on the theory that F.D.R. at room temperature was smarter than Bob Dole or George Bush at 98.6. The Constitution, he had pointed out, requires that a President be native born and at least 35 years old, but does not insist that he be alive. After the ritualistic denunciation of the Red Sox, which is required of New England males, our conversation turned to the missing candidates. "Don't sweat it. They're just a little late, is all," said Graftwell. He looked sweaty as he said this. "They've got to come," said Brisket, a Sununu monarchist. "Heigh-ho, primary woe," sang the Fool, jingling the little bells on his cap.

"What in tarnation does that mean?" Brisket demanded. Folks in New Hampshire practice saying "tarnation" and "ay-yuh" every four years for the network news.

"Rumble dee, rumble dum, Democrats aren't going to come," sang the Fool, doing a little dance step.

"That's foolish," said Brisket, out of patience. Then he added, "Sorry. No offense intended. I just meant..."

"Quite all right," said the Fool, pulling a red, white and blue streamer out of his right ear.

"But look here," said Brisket, "three lousy ski seasons in a row, then the banks all catch cold, and the legislature starts talking about broad-based taxes. Then of course we get gypsy moths. We gotta have candidates." Brisket values the two-party system that fills his motel with political staffers.

Then, as every New Hampshireman knows, Democrats will take you to lunch, marvel at pictures of your grandchildren and listen to your views on the perils of fluoridation.

"Really good guys," Brisket told me in 1988. "That Jesse Jackson, he bought me pie à la mode. I respect that man." But now the Fool was saying that the Democrats knew they couldn't beat Bush in '92. "Whaddya mean?" Graftwell said, trying to sound encouraging. "The Prez could lose. Four days out of seven, he's an empty suit. Ay-yuh, if it wasn't for Noriega and Saddam Hussein and them two wars, nobody but William Safire would know which one's Bush and which one's Quayle."

That certainly was true, I thought, but... The Fool was standing on his head juggling American flags. "Hear the sound-bite, pull the lever, Democrats are gone forever."

"Lay off Mother Goose," I told him. "What's your point?"

"Listen and learn," said the Fool. "Since 1776, the conservatives have had one unshakable idea, and only one."

"Golf?" asked Brisket.

"No, that the Federal Government can't do anything right, and shouldn't try," the Fool explained.

"Every real American knows that," Brisket agreed.

"So first Reagan, and then Bush, told the electorate, 'The Federal Government can't do anything right, and watch us prove it.' And the voters all nodded, saying, 'Sure makes sense to me,' as they watched the S&L mess, the Housing and Urban Development mess, the defense-contracting messes and the education mess, the drug-war mess, the homelessness mess, the health-care mess, the banking mess and more environmental messes than you want to think about."

"Well, you can't blame the Republicans for any of that."

"No one would dream of it," said the Fool. "If the Federal Government is, by definition, a terrible idea, then running it incompetently is more praiseworthy than running it well."

"George Will never said it better."

"But now you see why not even Al Gore has turned up in New Hampshire. If total failure succeeds brilliantly for the Republicans, how does a Democrat campaign? By saying he will cause complete economic and social collapse?"

"You could privatize the White House."

"Reagan already did that."

"Yeah, well, we still need candidates."

"We're working on it. Bill Bradley has taken his phone off the hook, but we're waiting to hear from Zachary Taylor." ■

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